(23,840)

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1913.

No. 689.

WILLIAM P. HEALY AND THE HEALY BOX CORPORATION, APPELLANTS,

vs.

SEA GULL SPECIALTY COMPANY.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE EASTERN DISTRICT OF LOUISIANA.

INDEX.

	Original.	Print
Caption	a	1
Bill of complaint	1	1
Affidavit on bill	25	16
Order on bill	26	17
Exhibit "A"—Copy of license agreement, filed with bill	27	17
Exhibit "B"—Notice of termination of license agreement, filed with bill	48	30
Defendant's answer	49	31
Replication	77	53
Defendant's amended answer and order thereon	78	53
Defendant's second amended answer and order thereon	79	54
Defendant's third amended answer and order thereon	80	55
Defendant's motion to dismiss suit for want of jurisdiction and order on same	81	56
Marshal's return on motion to dismiss	82	57
Exemplified copy of certificate of incorporation of The Sea Gull Specialty Company	83	57
Note of evidence	87	60
Opinion	89	61
Decree	93	63

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., JUNE 9, 1914.

	Original.	Print
Petition for rehearing	94	64
Order denying rehearing	95	64
Petition for appeal and order thereon	96	65
Assignment of errors	97	65
Certificate of judge as to question of jurisdiction	98	66
Bond on appeal	99	67
Præcipe for record	101	68
Defendant's præcipe for additional record	102	69
Order directing clerk to omit from the transcript portions of the record described in defendant's præcipe	104	71
Clerk's certificate	105	71
Citation and service	106	72

a UNITED STATES OF AMERICA:

United States District Court, Eastern District of Louisiana, New Orleans Division.

No. 14554.

WILLIAM P. HEALY and THE HEALY BOX CORPORATION, Appellants,
versus
THE SEA GULL SPECIALTY COMPANY, Appellee.

Messrs. Charles Rosen and Daniel P. Murphy, for William P. Healy and The Healy Box Corporation, Appellants.
Mr. James E. Zunts, for The Sea Gull Specialty Company, Appellee.

Appeal from the United States District Court for the Eastern District of Louisiana, New Orleans Division, to the Supreme Court of the United States, returnable within thirty (30) days from the twelfth (12th) day of August, A. D. 1913, at the City of Washington, District of Columbia.

TRANSCRIPT OF APPEAL.

1 *Bill of Complaint.*

Filed September 24th, 1912.

District Court of the United States, Eastern District of Louisiana, New Orleans Division.

In Equity.

WILLIAM P. HEALY and HEALY BOX CORPORATION, Complainants,
vs.
THE SEA GULL SPECIALTY COMPANY, Defendant.

Bill of Complaint.

To the Honorable the Judge of the District Court of the United States for the Eastern District of Louisiana:

William P. Healy, a resident of Chicago, in the County of Cook and State of Illinois, and a citizen of said State of Illinois, and Healy Box Corporation, a corporation organized and existing under and by virtue of the laws of the State of New Jersey, and a citizen of the said State of New Jersey, bring this their bill of complaint against The Sea Gull Specialty Company a corporation organized and exist-

ing under and by virtue of the laws of the State of Maryland, and a citizen of said State of Maryland;

And, thereupon, your orators complain and say:

First. That said defendant, The Sea Gull Specialty Company, has a regular and established place of business in the City of New Orleans, Parish of Orleans, Eastern District and State of Louisiana;

Second. That at all times hereinafter complained of said defendant, The Sea Gull Specialty Company, has committed acts of infringement and is now committing acts of infringement,
2 as hereinafter complained of, at its said regular and established place of business in the City of New Orleans, Parish of Orleans, Eastern District and State of Louisiana;

Third. Heretofore, on and prior to October 17, 1904, Richard G. Inwood and Perry C. Lavenberg, both residing at South Bend in the County of St. Joseph and State of Indiana, were both citizens of the United States and were the original, first, and joint inventors of certain new and useful improvements in boxes, not known or used by others in this country before their invention or discovery thereof and not patented or described in any printed publication in this or any foreign country before their invention or discovery thereof, or more than two years prior to their application for letters patent next hereinafter mentioned, and not in public use or on sale in this country for more than two years prior to their application for letters patent next hereinafter mentioned, having had no application for a foreign patent filed thereon more than twelve months prior to the filing of the application for letters patent next hereinafter mentioned in this country, and which has not been abandoned.

The said Richard G. Inwood, and Perry C. Lavenberg, being, as aforesaid, the original, first and joint inventors of said improvements in boxes, and both, as aforesaid, being citizens of the United States, made application to the Commissioner of Patents of the United States for letters patent for their said invention by an application duly filed in the United States Patent Office on October 17, 1904, in accordance with the then existing laws of Congress, and complied in all respects with the conditions and requirements of said laws, said application being given Serial No. 228,765. By an instrument in writing duly recorded in the United States Patent Office the said Richard G. Inwood and Perry C. Lavenberg, sold, assigned, and transferred unto National Wirebound Box Company,
3 a corporation organized and existing under the laws of the State of Indiana, a citizen of said State of Indiana, and of the United States of America, located at South Bend in said State of Indiana, the said invention and improvements and the said application, and requested and authorized the Commissioner of Patents to issue letters patent thereon to said National Wirebound Box Company, as assignee.

Whereupon, such proceedings were had that thereafter, on September 19, 1905, letters patent of the United States of America numbered 799,854, signed, sealed, and executed in due form of law, were duly granted, recorded, and delivered to said National Wirebound Box Company, whereby there was secured to said Na-

tional Wirebound Box Company, for the term of seventeen years from September 19, 1905, the sole and exclusive right to make, use, and vend the said improvements within and throughout the United States and territories thereof.

That said National Wirebound Box Company has, for good and lawful cause, surrendered said letters patent numbered 799,854 to the Commissioner of Patents, and having made due application therefor, by an application filed on June 13, 1907, and having in all things complied with the acts of Congress in such case made and provided, they were cancelled, and new letters patent, which were marked "Reissue No. 12,725" were issued on November 26, 1907 in due form of law to said National Wirebound Box Company which said reissue letters patent are of record in the Patent Office of the United States, and a certified copy of which is ready here in Court to be produced.

Fourth. Heretofore, on and prior to January 3, 1905, Richard G. Inwood and Perry C. Lavenberg, both residing in South Bend in the County of St. Joseph and State of Indiana, were both citizens of the United States, and were the original, first, and joint inventors of a certain new and useful improvement in machines
4 for making box-blanks, not known or used by others in this country before their invention or discovery thereof, and not patented or described in any printed publication in this or any foreign country before their invention or discovery thereof, or more than two years prior to their application for letters patent next hereinafter mentioned, and not in public use or on sale in this country for more than two years prior to their application for letters patent next hereinafter mentioned, having had no application for a foreign patent filed upon said invention more than twelve months prior to the filing of the application for a patent next hereinafter mentioned, in this country, and which has not been abandoned.

The said Richard G. Inwood and Perry C. Lavenberg, being, as aforesaid, the original, first, and joint inventors of said improvement in machines for making box-blanks, and being, as aforesaid, citizens of the United States, made application to the Commissioner of Patents of the United States for letters patent for said invention by an application duly filed in the United States Patent Office on January 3, 1905, in accordance with the then existing laws of Congress, and complied in all respects with the conditions and requirements of said laws, said application being given serial No. 239,415. By an instrument in writing duly recorded in the United States Patent Office the said Richard G. Inwood and Perry C. Lavenberg, sold, assigned, and transferred unto said National Wirebound Box Company the said invention and improvement and the said application, and requested and authorized the Commissioner of Patents to issue letters patent thereon to said National Wirebound Box Company, as assignee.

Whereupon, such proceedings were had that thereafter and on Dec. 5, 1905, letters patent of the United States numbered 806,411, signed, sealed, and executed in due form of law, were duly granted, recorded, and delivered to said National Wirebound Box Company,

whereby there was secured to said National Wirebound
5 Box Company for the term of seventeen years from December 5, 1905, the sole and exclusive right to make, use, and vend the said improvement within and throughout the United States and territories thereof, which said letters patent are now of record in the Patent Office of the United States, and a certified copy of which is ready here in Court to be produced.

Fifth. That the inventions and improvements of both said letters patent were the property of your orator, William P. Healy, his heirs and assigns, from the times the inventions and improvements of both said letters patent were made, and that both said letters patent were the *the* property of your orator, Healy, his heirs and assigns, from the time that the same were granted; and that the said National Wirebound Box Company, the grantee of said letters patent, was, when same were granted, and at all times thereafter until April 18, 1911, the trustee of your orator, Healy, his heirs and assigns, with respect to said letters patent; and that up to the last named date, said National Wirebound Box Company at all times held the title to both said letters patent for the sole use and benefit of your orator, Healy, his heirs and assigns, as was decreed by a final decree of the United States Circuit Court for the District of Indiana on April 11, 1911, in a suit in equity entitled William P. Healy, Complainant, vs. National Wirebound Box Company, Samuel M. Robinson, Richard G. Inwood and Perry C. Lavenberg, Defendants, as by a duly authenticated copy of said final decree, ready in Court to be produced, will more fully appear.

That by an instrument in writing dated April 18, 1911, and recorded in the United States Patent Office in Liber U-86, page 406 of Transfers of Patents, the said National Wirebound Box Company
assigned to your orator, Healy, his heirs and assigns, both the
6 said Letters Patent for the full term thereof from the time said Letters Patent were granted, as by said instrument in writing, or a duly authenticated copy thereof, ready in Court to be produced, will more fully appear.

Sixth. Heretofore, on and prior to November 18, 1904, Julius J. Miller, residing at St. Joseph in the County of Berrien and State of Michigan, was a citizen of the United States, and was the original and first inventor of a certain new and useful improvement in machines for making box-blanks not known or used by others in this country before his invention or discovery thereof, and not patented or described in any printed publication in this or any foreign country before his invention or discovery thereof, or more than two years prior to his application for Letters Patent next hereinafter mentioned, and not in public use or on sale in this country for more than two years prior to his application for letters patent next hereinafter mentioned, having had no application for a foreign patent filed upon said invention more than twelve months prior to the filing of the application for a patent next hereinafter mentioned, in this country, and which has not been abandoned.

The said Julius J. Miller, being, as aforesaid, the original and first inventor of said improvement in machines for making box-blanks,

and being, as aforesaid, a citizen of the United States, made application to the Commissioner of Patents of the United States for Letters Patent for said invention by an application duly filed in the United States Patent Office on November 18, 1904, in accordance with the then existing laws of Congress, and complied in all respects with the conditions and requirements of said laws, said application being given serial No. 233,274. By an instrument in writing duly recorded in the United States Patent Office, the said Julius J. Miller,
7 sold, assigned, and transferred unto your orator, William P. Healy, the said invention and improvement and the said application, and requested and authorized the Commissioner of Patents to issue Letters Patent thereon to your orator, William P. Healy, as assignee.

Whereupon, such proceedings were had that thereafter and on March 13, 1906, Letters Patent of the United States numbered 815,197, signed, sealed, and executed in due form of law, were duly granted, recorded, and delivered to your orator, William P. Healy, whereby there was secured to your orator, William P. Healy, for the term of seventeen years from March 13, 1906 the sole and exclusive right to make, use, and vend the said improvement within and throughout the United States and territories thereof, which said letters patent are now of record in the Patent Office of the United States, and a certified copy of which is ready here in Court to be produced.

Seventh. That your orator, Healy, prior to the acts of infringement herein complained of, has granted unto your orator, Healy Box Corporation, within and throughout the whole of the United States and the territories thereof, an exclusive right and license to make and use, and to grant to its sub-licensees an exclusive or non-exclusive right to use, machines containing the inventions and improvements of said Letters Patent 806,411 and 815,197; and an exclusive right and license to make, use, and sell, and to grant to its sub-licensees an exclusive or non-exclusive right to make, use, and sell, boxes containing the inventions and improvements of said Reissue Letters Patent 12,725;

That by virtue of the premises your orators became and now are, respectively, the sole and exclusive owner and the sole and exclusive licensee of said inventions and improvements, and of each
8 of said Letters Patent and of all the rights and privileges granted and secured, or intended to be granted and secured, thereby. And since your orators became the owner and licensee, as aforesaid, they have invested and expended large sums of money, and have been to great trouble in and about the said inventions and improvements, and for the purpose of introducing the same into use and making the same profitable to themselves, and useful to the public; and that said inventions and improvements have been and are of great benefit and advantage to your orators and the public; and that the public have generally acknowledged and acquiesced in the aforesaid rights of your orators; and your orators believe that they will realize and receive large gains and profits therefrom, if infringements by said defendant shall be prevented.

Eighth. The inventions described and claimed in the said Letters Patent No. 806,411 and No. 815,197 relate to machines for making wire-bound box-blanks. The invention of said Reissue Letters Patent No. 12,725, relates to improvements in box-blanks, capable of being made upon machines embodying the said inventions described and claimed in said Letters Patent No. 806,411 and No. 815,197. The defendant has been and is now engaged in manufacturing wire-bound boxes in the City of New Orleans, Parish of Orleans, Eastern District and State of Louisiana; and in such manufacture the defendant has used and is using in said City of New Orleans machines embodying, containing, and employing the invention described and claimed in said Letters Patent No. 815,197, in making boxes and box-blanks embodying and containing the invention described and claimed in said Reissue Letters Patent No. 12,725; and by so using such machine or machines, for so making such boxes, the defendant has used and practiced the inventions simultaneously of the said Letters Patent No. 815,197, and of said Reissue Letters Patent No. 12,725, and thereby has infringed each and both of said letters patent and your orators' exclusive rights therein and thereunder.

9

Ninth. That the defendant, well knowing the premises and the exclusive rights and privileges aforesaid, secured to your orators by said Letters Patent No. 815,197 and Reissue Letters Patent No. 12,725, and contriving to injure your orators and to deprive them and both of them of the profits and benefits and advantages which might and otherwise would have accrued to your orators, and each of them, from the said Letters Patent, and each of them, has been, since the issue of each of said Letters Patent, and prior to the commencement of this suit, and since on or about the 15th day of January, A. D. 1912, and since the licensing, as aforesaid, of your orator, Healy Box Corporation, and still is, unlawfully, wrongfully, and without license or permission of your orators, or either of them, in violation and defiance of the rights of your orators, and both of them, at the City of New Orleans, Parish of Orleans, in the Eastern District and State of Louisiana, and elsewhere in the United States, making, using, selling, and offering to make and sell boxes containing, employing, and embodying the invention of said Reissue Letters Patent No. 12,725, and making, selling, and offering to make and sell box-blanks or portions or parts of box-blanks having the capacity to be used, and designed, contrived, and intended to be used in boxes containing, embodying, and employing the said invention of said Reissue Letters Patent No. 12,725, and using in a box-blank machine, and in each of several such machines, the invention of said Letters Patent No. 815,197, and using such machines for making boxes containing, employing, and embodying the invention of said Reissue Letters Patent No. 12,725. Your orators are further informed and believe, and therefore aver, that the said defendant is ready to continue said infringement, and that unless it be restrained from so doing your orators and each of them will suffer great and irreparable damage from said unlawful acts of said defendant, but how extensively said defendant has so used and

10

employed the said several patented inventions or is now using or employing the same, and how many said boxes the defendant has made, used, or sold, or is now making, using, or selling or how extensively the said defendant has used said machines, your orators are ignorant and cannot set forth; but your orators aver that the defendant has derived and received and is still deriving and receiving from such manufacture, use, and sale great gains and profits, but what amount your orators are ignorant and cannot set forth; and they pray that the defendant may be required to make a disclosure of all such gains and profits.

Tenth. The defendant was duly notified of the infringement herein complained of, and had knowledge and notice of said infringement, but continued after such notice and knowledge to make, use, and sell boxes and to use machines in infringement of said Letters Patent No. 815,197 and of said Reissue Letters Patent No. 12,725; and your orators are informed and believe, and therefore aver, that the defendant has now on hand ready for use and sale at the said City of New Orleans, in the aforesaid district and State of Louisiana, a large number of boxes embodying, employing, and containing the inventions and improvements of said Reissue Letters Patent No. 12,725, and now has in its possession several machines for use in making such boxes, embodying, employing and containing the inventions and improvements of said Letters Patent No. 815,197, which boxes the said defendant threatens to sell and which machines the said defendant threatens to use in violation and defiance of the rights of your orators in and under said letters patent and each of them; all to the great and irreparable loss and injury of your orators.

11 Eleventh. That, heretofore, to-wit, at a time prior to the issuance of the sub-license to the defendant, The Sea Gull Specialty Company, by the Babcock Box Company, hereinafter referred to, the said National Wirebound Box Company executed to the Babcock Box Company, a corporation organized and existing under and by virtue of the laws of the State of New York, agreements of license, which are ready here in Court to be produced, and which said agreements of license granted among other things unto said Bab-ock Box Company the sole and exclusive right to use and operate machines patented under said Letters Patent No. 806,411, and the right to sell wire-bound boxes embodying the invention patented in said Reissue Letters Patent No. 12,725, and other articles made by means of said patented machines, in the following territory, to-wit; in the Counties (or Parishes) of Washington, St. Tammany, Tangipahoa, Orleans, St. Bernard, Plaquemines, Jefferson, St. Charles, St. John the Baptist, St. James, Lafourche, Terrebonne, Livingston, Ascension, East Baton Rouge, West Baton Rouge, and Assumption, in the State of Louisiana; and in the Counties of Pike, Marion, Lamar, Perry, Greene, Pearl River, Hancock, Harrison, and Jackson, in the State of Mississippi; said rights to endure until the first day of June A. D. 1922; and the said Babcock Box Company was, under the provisions of said licenses, given the right to sub-let to

other persons the rights granted to said Babcock Box Company under said licenses.

Twelfth. That, thereafter, to-wit: on March 19, 1908, said Babcock Box Company executed unto the defendant, The Sea Gull Specialty Company, a sub-license, a true copy of which is hereto annexed marked Exhibit A and made a part of this bill whereby said Babcock Box Company did grant to said defendant, The Sea Gull Specialty Company, the sole and exclusive right to use and
12 operate machines patented under said Letters Patent No. 806,411, and the right to sell wirebound boxes embodying the invention patented in said Reissue Letters Patent No. 12,725 and other articles made by means of said patented machines, in the territory above set forth, which said grants were to continue until the first day of June, 1922, subject, however, to provisions for forfeiture or termination hereinafter explained.

Thirteenth. That pursuant to the provisions of said sub-license, said Babcock Box Company leased to said Sub-licensee, The Sea Gull Specialty Company, three box-blank machines embodying the invention of said Letters Patent No. 806,411; and said Sub-licensee paid to the Babcock Box Company the sum of Thirty-Five Hundred Dollars for the exclusive use and possession of each of said machines during the continuance of said sub-license and subject to all the terms and conditions thereof.

By the provisions of said sub-license, said machines remained the property of the National Wirebound Box Company, aforesaid, subject to certain conditions for transfer, which conditions have never arisen.

By said sub-license, said defendant, The Sea Gull Specialty Company, covenanted and agreed to pay to the Babcock Box Company, for the exclusive use and possession of said machines, subject to all the terms and conditions of the sub-license, and for the right to sell the wire bound boxes and other articles made by means of the said patented machinery, a sum equal to seven and one-half per cent of the amount of the gross sales of all wire bound boxes and other articles manufactured by The Sea Gull Specialty Company, or by any Sub-licensee of The Sea Gull Specialty Company, said seven and one-half per cent being referred to in said sub-license as "royalty". The seven and one-half per cent was agreed by the parties to said sub-
13 license to be a license fee for the use of any or all of the patented inventions covered by letters patent licensed to be used by the operations of the terms of the sub-license. The Sea Gull Specialty Company further agreed to pay said royalty monthly on or before the 10th day of each month for all sales made during the preceding calendar month; and further agreed to pay the Babcock Box Company during and for each quarter year, a sum of not less than Eleven hundred and Twenty-five Dollars on account of said royalty, whether or not The Sea Gull Specialty Company should manufacture or sell any wire-bound boxes or other articles during said quarter year, and whether or not the sum of the royalty of seven and one-half per cent payable for sales in said quarter should be less than the sum of Eleven Hundred and Twenty-Five Dollars.

By subsequent agreement between said Babcock Box Company and The Sea Gull Specialty Company, dated April 14, 1910, which is ready here in Court to be produced, said minimum royalty was reduced from Forty-Five Hundred Dollars per annum to Fifteen Hundred Dollars per annum.

In said sub-license, The Sea Gull Specialty Company, further agreed that, each month during the period that the license should be in force, The Sea Gull Specialty Company should make an accurate statement in writing to the Babcock Box Company, showing the total number of boxes and shooks manufactured by The Sea Gull Specialty Company, and by all its sub-licensees, during the preceding calendar month; the number of boxes and shooks sold by The Sea Gull Specialty Company, and all of its sub-licensees, during such month; the names and addresses of the parties to whom sold; the total amount in value of the sales of The Sea Gull Specialty Company, and of all of its sub-licensees, for such month; and the number of boxes and shooks delivered by The Sea Gull Specialty Company, and of all of its sub-licensees, during such month; said statement to be mailed by The Sea Gull Specialty Company
14 to its licensor addressed to its principal office at New York City or at such other place as its said licensor might from time to time in writing designate, on or before the 10th day of each month, during the period that said sub-license should be in force; and said statement to be mailed as aforesaid whether or not any articles were manufactured or sold during the preceding calendar month by The Sea Gull Specialty Company, or any sub-licensee thereof; and in case no such articles were manufactured or sold during such month, the reasons for not making or selling any of such articles to be set out in such monthly statement.

Forfeiture or termination provisions were included in said sub-license, and were agreed to by the parties thereto, in the words following, to-wit:

"VIII. In case the sub-licensee (The Sea Gull Specialty Company) shall fail to comply with and fulfill any or all of the covenants, terms and conditions of this license, then and in such event, the Licensee (Babcock Box Company) may terminate this license, provided that whenever the Licensee shall have the right to terminate this license, as aforesaid, and desires so to do, the proceedings shall be as follows, to-wit:

"The Licensee shall cause a written notice to be served upon the Sub-Licensee, which notice shall state specifically the cause for terminating and rendering null and void this license, and shall declare the intention of the Licensee to terminate this license.

"Such notice may be served upon the Sub-Licensee by delivery to the Sub-Licensee, wherever found in the United States, and in case the Sub-Licensee cannot be found, such notice may be delivered to any agent or person authorized to transact business for the Sub-Licensee, or by sending such notice by registered letter to the
15 Sub-Licensee at New Orleans, in the State of Louisiana.

"And thereupon the Sub-Licensee shall have thirty days after the service of such notice, as aforesaid, in which to remedy or

remove the cause or causes stated in said notice for terminating and rendering null and void this license, and if, within said period of thirty days, the Sub-licensee does so remedy or remove said cause, then said notice shall be withdrawn and this agreement continue in full force and effect. And in case said Sub-licensee does not so remedy or remove said cause or causes named for rendering null and void this license, within said period of thirty days, then this license shall be and become null and void from and after the expiration of said thirty days, and in case this license shall become null and void, as aforesaid, said Sub-Licensee shall immediately deliver to said Licensee, at the place of business of said Sub-licensee, all said machines in the possession or control of said Sub-licensee, or of any of his sub-licensees under the provisions of this license."

Fourteenth. That, thereafter, to-wit, on April 11, 1911, the rights of said Babcock Box Company in, to, and under the agreements of license hereinbefore referred to, executed by the National Wirebound Box Company to the Babcock Box Company, and in, to and under the sub-license hereinbefore referred to, executed by the Babcock Box Company to The Sea Gull Specialty Company, were acquired by your orator, Healy Box Corporation, by agreements of transfer and conveyance which are ready here in Court to be produced.

On or about April 13, 1911, the defendant The Sea Gull Specialty Company, by written notice of that date, a true copy of which is ready here in Court to be produced, was notified that your orator, Healy Box Corporation, had acquired the rights of the Babcock Box Company under the sub-license hereinbefore referred to.

16 Fifteenth. That, thereafter, until the times hereinafter mentioned, said defendant, The Sea Gull Specialty Company, used and operated the machines, leased to it by the Babcock Box Company under the sub-license hereinbefore mentioned, in making wire-bound boxes embodying, employing, and containing the inventions and improvements of said Letters Patent No. 806,411, and made, used, and sold wire-bound boxes embodying, employing, and containing the inventions and improvements of said Reissue Letters Patent No. 12,725, and did make unto your orator, Healy Box Corporation, by mail addressed to its principal office at New York City, statements and reports in accordance with the terms of said sub-license, and did remit and pay unto your orator, Healy Box Corporation, the royalties provided in said sub-license, and did perform unto and in favor of your orator, Healy Box Corporation, all of the duties and obligations owed by said defendant, The Sea Gull Specialty Company, under the terms of said sub-license; and your orator, Healy Box Corporation, recognized said sub-license, and the defendant, The Sea Gull Specialty Company, as the licensee of your orator under the said sub-license and performed unto and in favor of said defendant, The Sea Gull Specialty Company, all the duties and obligations owing to said defendant as provided in said sub-license;

That said defendant, The Sea Gull Specialty Company did, for the months of April, May, June and July, 1911, according to the terms and conditions of said sub-license, remit and pay the royal-

ties and make the statements provided in said sub-license, unto your orator, Healy Box Corporation, by mail addressed to its principal office at New York City, State of New York;

Sixteenth. That said defendant, The Sea Gull Specialty Company, did fail to make said statements and reports and pay said royalties, as provided in said sub-license, for the month of August, 1911; that in accordance with the terms of said sub-license,
17 your orator, Healy Box Corporation, gave to said defendant, The Sea Gull Specialty Company, written notice of termination of said sub-license, as provided therein, whereupon within thirty days thereafter, as provided in said sub-license, said defendant, The Sea Gull Specialty Company, did make said statements and reports and pay the royalties due for the month of August, 1911, to your orator, Healy Box Corporation, by mailing same to its principal office at New York City, State of New York.

That said defendant, The Sea Gull Specialty Company, did fail to make said statements and reports and pay said royalties, as provided in said sub-license, for the month of September, 1911; that in accordance with the terms of said sub-license, your orator, Healy Box Corporation, gave to said defendant, The Sea Gull Specialty Company, written notice of termination of said sub-license, as provided therein, whereupon within thirty days thereafter, as provided in said sub-license, said defendant, The Sea Gull Specialty Company, did make said statements and reports and pay the royalties due for the month of September, 1911, to your orator, Healy Box Corporation, by mailing same to its principal office in New York City, State of New York.

That said defendant, The Sea Gull Specialty Company, did fail to make said statements and reports and pay said royalties, as provided in said sub-license, for the month of October, 1911; that in accordance with the terms of said sub-license, your orator, Healy Box Corporation, gave to said defendant, The Sea Gull Specialty Company, written notice of termination of said sub-license, as provided therein, whereupon within thirty days thereafter, as provided in said sub-license, said defendant, The Sea Gull Specialty Company did make said statements and reports and pay the royalties due for the month of October, 1911, to your orator, Healy Box Cor-
18 poration, by mailing same to its principal office in New York City, State of New York.

Seventeenth. That during the month of October, 1911, your orator, Healy Box Corporation, at the request of the defendant, The Sea Gull Specialty Company, caused the three box-blank machines then in the possession of the defendant, The Sea Gull Specialty Company, under the provisions of said sub-license, to be so altered and changed that said three box-blank machines thereafter embodied the inventions of said Letters Patent No. 815,197, and the said defendant, The Sea Gull Specialty Company, thereafter and until the termination of said sub-license as hereinafter set forth, used and operated said three-box-blank machines so embodying the inventions of said Letters Patent No. 815,197, in the manufacture of wire-bound boxes

embodying the inventions of Reissue Letters Patent No. 12,725 subject to all the terms and conditions of said sub-license;

Eighteenth. That said defendant, The Sea Gull Specialty Company, after the termination of said sub-license, as hereinafter set forth, has continued to use and operate said three box-blank machines embodying the inventions of Letters Patent No. 815,197 in the manufacture of wire-bound boxes embodying the inventions of Reissue Letters Patent No. 12,725 and thereby has infringed each and both of said Letters Patent and the exclusive rights of your orators therein and thereunder.

Nineteenth. That said defendant, The Sea Gull Specialty Company, did fail and refuse to make said statements and reports and pay said royalties as provided in said sub-license for the month of November, 1911, or for any succeeding month thereafter.

Upon the failure by the defendant, The Sea Gull Specialty Company, to pay the royalties due and payable in respect to the month of November, 1911, and to render the agreed statements and reports to your orator, Healy Box Corporation, respecting the business done during the said month of November, 1911, such failure being
19 in violation of the terms and agreements of said sub-license, your orator, Healy Box Corporation, proceeded to serve upon the defendant, The Sea Gull Specialty Company, written notice of intention to terminate said sub-license, a true copy of which is hereto annexed marked Exhibit B, and made a part of this bill.

Said notice, Exhibit B, complied in all particulars with the terms and requirements of said sub-license agreement, stated specifically the cause for terminating and rendering null and void said sub-license agreement, and declared the intention of your orator, Healy Box Corporation, to terminate said sub-license agreement.

Said notice was served upon the defendant, The Sea Gull Specialty Company, at New Orleans, in the State of Louisiana, by delivery of the original said notice, by your orator mailing same under registered mail in the United States Post Office in New York, on Dec. 12, 1911, addressed to The Sea Gull Specialty Company, New Orleans, Louisiana, and which notice was received and receipted for by said defendant, The Sea Gull Specialty Company, on Dec. 14, 1911, at New Orleans, Louisiana.

That said defendant, The Sea Gull Specialty Company, did not within said period of thirty days named in said notice, in accordance with the terms and conditions of said sub-license, or at any other time, remedy or remove the causes or any cause named in the notice aforesaid for rendering null and void the said sub-license; and no such cause has ever been remedied or removed.

Since the expiration of said thirty days next succeeding receipt of said notice by said defendant, The Sea Gull Specialty Company, to-wit, since on or about Jan. 15, 1912, the defendant, The Sea Gull Specialty Company, has committed the acts of infringement hereinbefore complained of.

Twentieth. By reason of the premises, on or about Jan. 15, 1912, the sub-license aforesaid executed to said defendant, The Sea Gull Specialty Company, and theretofore existing between your orator,

Healy Box Corporation, and said defendant, The Sea Gull Specialty Company, as aforesaid, became and was forfeited and terminated and null and void in accordance with the terms of said sub-license by reason of the acts of the parties to said sub-license in accordance with the terms thereof, and from and after on or about Jan. 15, 1912, the continuance by the defendant, The Sea Gull Specialty Company, to use and operate the inventions of Letters Patent 815,197 and
20 of Reissue Letters Patent 12,725, was and is in violation and infringement of the exclusive rights secured to your orators, and both of them, by the letters patent aforesaid; and the use of the said machines, leased to the said defendant, The Sea Gull Specialty Company, under the terms of said sub-license, subsequently forfeited and terminated as aforesaid, was in infringement of the exclusive rights secured to your orators by said letters patent, and your orator, Healy Box Corporation, is entitled to have and receive from the defendants, The Sea Gull Specialty Company, all of said machines, and your orator, Healy Box Corporation, has demanded the delivery of said machines to your orator, Healy Box Corporation, and said defendant, The Sea Gull Specialty Company, has neglected so to deliver said machines, which are still, as your orators are informed, and believe, and therefore aver, in the possession and control of the defendant, The Sea Gull Specialty Company, and are so held and possessed by the defendant in infringement of the exclusive rights secured to your orators by the letters patent aforesaid.

Twenty-first. That your orators further show that they are informed and believe, and so allege, that the boxes heretofore and now being placed on the market on behalf of your orators in accordance with said Reissue Letters Patent No. 12,725 have been duly marked with the word "Patented", together with date of said Reissue Letters Patent as aforesaid.

Twenty-second. That your orator, Healy Box Corporation, has granted many licenses within and for various territorial parts of the United States of America, under and subject to said Letters Patent No. 815,197 and said Reissue Letters Patent No. 12,725, and in consideration of various agreements on the part of the licensees to pay royalties for the use of the inventions of said letters patent; and your orators have derived great benefit and profit from such licenses and the royalties paid in accordance therewith; but the afore-
21 said unlawful acts of the defendant in disregard and in defiance of your orators and their rights tend to, and in fact, encourage and induce others to disregard your orator's rights in the premises.

Twenty-third. By the terms of the sub-license aforesaid, it was agreed by the parties thereto that in case of any suit for infringement brought against the defendant, The Sea Gull Specialty Company, the measure of recovery should be the same as the license fee agreed to in said sub-license to be paid by said defendant, The Sea Gull Specialty Company, as royalty for the use of any or all the inventions patented in the letters patent aforesaid.

Twenty-fourth. Your orators further aver that, after the forfeiture and termination of said sub-license, as aforesaid, your orator, Healy

Box Corporation, did, in the furtherance of its said business, make and execute unto and in favor of the Globe Packing Box Company, a corporation organized and existing under the laws of the State of Louisiana, a citizen of said State of Louisiana, with its domicile and principal place of business at the City of New Orleans, in the Parish of Orleans, Eastern District and State of Louisiana, an agreement of license granting unto said Globe Packing Box Company, up to the month of January, 1927, the right to use and operate machines embodying the inventions of said Letters Patent No. 806,411 and 815,197 and the right to make and sell wirebound boxes embodying the inventions of said Reissue Letters Patent No. 12,725 within territory of the United States of America, which includes and covers the territory hereinbefore described; and your orators are informed and believe, and so aver, that in pursuance of said agreement of license, said Globe Packing Box Company has installed machines embodying the inventions of said Letters Patent No. 815,197, and is using and operating the same, and is making and selling
22 the boxes aforesaid, within the territory granted to it under said license agreement, and that said Globe Packing Box Company has expended considerable sums of money in installing said machines, and in using and operating the same, and in making and selling said boxes, and your orators expect to derive large gains and profits from the operations conducted by said Globe Packing Box Company under its said license.

Twenty-fifth. Your orators are informed and believe and so aver, that notwithstanding the forfeiture and termination of its said sublicense, on or about Jan. 15, 1912, the said defendant, The Sea Gull Specialty Company, has threatened and threatens to interfere with the operations of said Globe Packing Box Company under its said license, and will so interfere unless restrained and enjoined by this Honorable Court; and if said defendant, The Sea Gull Specialty Company, is permitted to interfere with the conduct of said business by said Globe Packing Box Company under its said license, your orators, as well as said Globe Packing Box Company, will thereby suffer irreparable loss and injury; and your orators are entitled to a writ of injunction, restraining and enjoining said defendant, The Sea Gull Specialty Company, from in any wise interfering with the operations of said Globe Packing Box Company under and by virtue of the agreement of license executed to said Globe Packing Box Company, by your orator, Healy Box Corporation.

Wherefore, your orators pray that said defendant, The Sea Gull Specialty Company, and its officers, servants, agents, attorneys, employees, workmen and confederates, and each and every of them, may be perpetually restrained and enjoined by the order and injunction of this Honorable Court from directly or indirectly making, or using, or vending, or offering to others to be used, or offering, or exposing for sale, any boxes or other articles or machines embodying, containing, or employing the inventions or any of them described and claimed in the Letters Patent Number 815,197 and said
23 Reissue Letters Patent Number 12,725, or either of them; and from interfering with the Globe Packing Box Company,

its officers, agents, servants, employees, and workmen in the conduct of its said business under its said agreement of license from your orator, Healy Box Corporation.

May it please the Court to grant unto your orators a writ of injunction commanding, enjoining, and restraining the said defendant, The Sea Gull Specialty Company, and its officers, agents, servants, attorneys, employees, workmen and confederates, and each and every of them, during the pendency of this suit as hereinbefore in that behalf prayed in respect to said perpetual injunction.

And your orators further pray that the said defendant, The Sea Gull Specialty Company, be compelled by decree of this Honorable Court to account for and to pay over to your orator, Healy Box Corporation, all such gains and profits as have accrued to or been received by said defendant, and all such gains and profits as your said orator, Healy Box Corporation, may be entitled to by reason of the aforesaid infringement, and the damages which your said orators have sustained by reason of the aforesaid infringement and all the unlawful acts aforesaid of the defendant; and further pray that the measure of the recovery of your orator, Healy Box Corporation, be and aggregate seven and one-half per cent of the amount of the gross sales of all wire-bound boxes and other articles manufactured by the defendant, embodying the invention and improvement of said Reissue Letters Patent, No. 12,725; and your orators further pray that the said defendant, The Sea Gull Specialty Company, be condemned to surrender and deliver forthwith to your orator, Healy Box Corporation, possession of the three box-blank machines hereinbefore mentioned leased to the defendant, The Sea Gull Specialty Company, under the terms of its said sub-license, and which
24 said three box-blank machines were changed and altered by your orator, Healy Box Corporation, as set forth in the bill of complaint.

And your orators further pray that the defendant be decreed to pay the costs of this suit; and your orators further pray such further or other relief as to this Honorable Court shall seem meet and as shall be agreeable to equity.

And forasmuch as your orators can have no adequate relief except in this Court, to the end, therefore, that the said defendant may, if it can, show why your orators should not have the relief hereby prayed, and may, but not upon corporate oath (the oath being expressly waived), according to its best and utmost knowledge, remembrance, information and belief, full, true, direct and perfect answers make to the premises, and to all the several matters hereinbefore stated and charged, as fully and particularly as if severally and separately interrogated as to each and every of said matters, and may be compelled to account for and pay to your orator, Healy Box Corporation, the profits by said defendant acquired, and the damages suffered by your orators from the aforesaid unlawful acts; and that the Court may assess said profits and damages, and may increase the damages to a sum not exceeding three times the amount thereof, and that the Court may compel all of the infringements in the possession

or control of the defendant other than the three box-blank machines hereinbefore mentioned to be delivered up to be destroyed.

May it please your Honors to grant unto your orators the writ of subpœna issuing out of and under the seal of this Honorable Court, directed to the said defendant, The Sea Gull Specialty Company, commanding it by a certain day, and under a certain penalty, to be and appear in this Honorable Court, then and there to answer the premises, and to stand to and abide such order and decree as may be made against it.

And your orators will ever pray, etc.

(Signed) WILLIAM P. HEALY AND
HEALY BOX CORPORATION,
By FRANK F. EDWARDS,
Treasurer Healy Box Corporation.
" CHARLES ROSEN,
Solicitor of Complainants.
" DANIEL P. MURPHY,
Of Counsel.

STATE OF NEW YORK,
County of New York, ss:

On this 17th day of September, 1912, before me a notary public in and for the County and State aforesaid personally appeared Frank F. Edwards, who made oath that he is Treasurer of the Healy Box Corporation, one of the complainants in the above-entitled cause; that as such Treasurer he is duly authorized and empowered to sign the foregoing bill of complaint for and in behalf of said Healy Box Corporation; that he has read the foregoing bill of complaint subscribed by him for and in behalf of said corporation and knows the contents of said bill of complaint and that the same is true to his own knowledge except as to the matters therein stated on information and belief, and as to those matters he believes it to be true; and that the reason why he himself makes oath to the truth of said bill of complaint is that the complainant, Healy Box Corporation is a corporation.

(Signed) H. N. OLMSTEAD,
[SEAL.] *Notary Public,*
#2, Notary Public, *Kings County.*

Certificate filed New York County.

26 United States District Court, Eastern District of Louisiana.

In Equity.

WILLIAM P. HEALY and HEALY BOX CORPORATION, Complainants,
vs.
THE SEA GULL SPECIALTY COMPANY, Defendant.

Order.

In this cause, considering the bill of complaint herein and the affidavit thereto attached, and the exhibits filed therewith, and the complainants having moved the Court for a preliminary injunction as set forth in said bill,

It is ordered by the Court that the defendant, The Sea Gull Specialty Company show cause on Saturday, October 5th, 1912, at 11 o'clock A. M., why a preliminary injunction should not issue herein as prayed for.

And in the meantime, let the defendant, The Sea Gull Specialty Company, its officers, servants, agents, attorneys, employees, workmen, and confederates, and each and every of them, be and they are restrained from interfering with the Globe Packing Box Company, its officers, agents, servants, employees, and workmen, in the conduct of its said business under its said agreement of license from the Healy Box Corporation set out in the bill of complaint; and so remain restrained until the further order of this Court.

(Signed) RUFUS E. FOSTER, *Judge.*

New Orleans, Sept. 24, 1912.

27 EXHIBIT "A." Filed September 24, 1912.

Exhibit A.

Babcock Box Company
with
The Sea Gull Specialty Company.

Agreement.

Dated March 19th, 1908.

28 Copy.

The Sea Gull Specialty Company.

Factories, Baltimore & New Orleans.

BALTIMORE, MD., April 14, 1910.

The Sea Gull Specialty Company, Baltimore, Md.

GENTLEMEN: Referring to our notice to you under date of April 8th, in reference to your New Orleans license, we herewith agree to

reduce the minimum royalty of said license from forty five hundred ($4,500.00) dollars per annum to the sum of fifteen hundred ($1,500.00) — per annum, provided you will pay to us, prior to May 1st, 1910, back royalties now due us; it being understood that the license, in other respects, will remain in force unchanged.

Yours truly,

——— ———.

29 This agreement of license, made and entered into this 19th day of March, 1908, by and between the Babcock Box Company, a corpora- organized and existing under and by virtue of the laws of the State of New York, hereinafter called the Licensee, and The Sea Gull Specialty Company of New Orleans, La., hereinafter called the Sublicensee, witnesseth:

Whereas, the National Wire Bound Box Company, an Indiana corporation, hereinafter called the Licensor, is the sole and exclusive owner of letters patent of the United States, No. 799,854, upon a wire bound foldable box blank, and of letters patent of the United States, No. 806,411, upon a machine for making box blanks, and is also the sole and exclusive owner of certain improvements and inventions in the art of making wire bound boxes, and other articles upon which improvements and inventions said Licensor has caused to be made applications for United States patents; and

Whereas, said Licensor has heretofore executed an agreement and license with the Licensee, whereby said Licensor has granted unto said Licensee the sole and exclusive right to use and operate said machines and all improvements thereto that may be made or acquired by said Licensor in the following territory in the States of Louisiana and Mississippi; and

Whereas, said Sublicensee desires to use and operate said patented machines and said inventions and improvements, and to manufacture, use and sell said wire bound boxes within the territory and upon the terms and conditions hereinafter set forth;

Now therefore, in consideration of the premises and of the mutual promises hereinafter contained, it is agreed as follows:

Territory Granted.

I. The said Licensee hereby grants unto the said Sublicensee the sole and exclusive right to use and operate the said patented machines, improvements and inventions, now owned by the
30 Licensor, and all improvements thereon that may hereafter be made, acquired or discovered by said Licensor, as fully and completely as the Licensee now has or may hereafter acquire the right so to do in the following territory: in the Counties of Washington, St. Tammany, Tangipahoa, Orleans, St. Bernard, Plaquemines, Jefferson, St. Charles, St. John the Baptist, St. James, Lafourche, Terrebonne, Livingston, Ascension, East Baton Rouge, West Baton Rouge, and Assumption, in the State of Louisiana, and in the Counties of Pike, Marion, Lamar, Perry, Greene, Pearl River, Hancock, Harrison, and Jackson in the State of Mississippi, until the first day of June, 1922.

The said Licensee hereby also grants unto the said Sublicensee, during said term, the right to sell the said patented wire bound boxes and other articles made by means of said patented machinery, improvements and inventions to such persons as will use such wire bound boxes and other articles in their own business in the territory above mentioned, and will not send the same empty out of said territory.

It is mutually understood and agreed that said Licensee has heretofore granted to the following named companies, firms or persons, located at the places set opposite their names, to-wit: the right to use and operate said patented machinery, improvements and inventions of said Licensor in the manufacture of such wire bound boxes and other articles as such companies, firms or persons will use solely and exclusively in the business of such companies, firms or persons at such places, and that the exclusive territorial license hereby granted is subject to said license, licenses or shop rights, so heretofore granted as herein set forth.

Extension of License.

II. It is mutually understood and agreed that in the event that at any time hereafter said Licensor shall acquire any patent or patents, or any right or rights in and to or under any patent or patents, covering any improvement upon said machine, or upon the product thereof, said Licensee shall, within thirty days there-
31 after, give written notice to said sublicensee of the character of the improvement covered by such patent or patents, and thereafter during the continuance of this license said Sublicensee shall have the exclusive right to use said improvement in said granted territory. And if within six months after such notice has been given to said Sublicensee as aforesaid, said Sublicensee shall give written notice to said Licensee, that said Sublicensee desires to use such improvement during the life of the patent or patents covering such improvements upon the same terms and conditions as are herein set out for the use of the machinery, inventions and improvements herein mentioned, said Sublicensee shall thereupon and thereby acquire the right to use such improvement during the life of the patent or patents covering such improvement, upon the same terms and conditions as are herein set out for the use of the machinery, inventions and improvements herein mentioned, and the written notice given to said Licensee by said Sublicensee, as aforesaid, shall automatically extend all the terms and conditions of this license for a period of sixteen years and eleven months from the date when such patent or patents, covering such improvements, issued. It is understood, however, that the right agreed to be given the Sublicensee herein shall not exceed the right the Licensee has power to confer.

Relating to Machinery.

III. The Sublicensee hereby agrees to procure exclusively from the Licensee during the period that this license shall be in force, all such box blanks machines, step mitre machines, and stapling ma-

chines and other machines or parts of machines covered by letters patent as aforesaid, under which license is now or may hereafter be given by the Licensee to the Sublicensee, which the Sublicensee shall require or use in the manufacture of wire bound boxes and other articles under the terms and provisions of this license, and the Licensee hereby agrees to furnish and deliver to said Sublicensee such number of said machines as may be so ordered by the said Sublicensee.

The Sublicensee has this day ordered from the Licensee two box blank machines, two step mitre machines and two end stapling machines, and has paid the Licensee the sum of Four Thou-
32 sand Dollars on account for the exclusive use and possession of said machines, subject to the terms and conditions of this license (receipt whereof is hereby acknowledged by said Licensee) and said Sublicensee hereby agrees to pay to the Licensee the sum of Four Thousand Dollars when said machines are installed in the factory of the Sublicensee, said sums being in full payment for the exclusive use and possession of said machines, subject to all the terms and conditions of this license.

Said Sublicensee hereby agrees to pay to the Licensee for the exclusive use and possession, subject to all the terms and conditions of this license, of additional machines hereafter ordered by said Sublicensee, as follows:

For each additional box blank machine, the sum of Thirty-five hundred dollars ($3,500.00).

For each additional step mitre machine, the sum of One hundred and fifty dollars ($150.00).

For each additional and stapling machine, the sum of Three hundred and fifty dollars ($350.00).

Said Sublicensee shall pay to the Licensee one-half of said sum so to be paid by him for the exclusive use and possession of such additional machine or machines, as aforesaid, upon receipt of bill of lading showing said machine or machines had been delivered by said Licensee f. o. b. cars where built, and the remainder of such sum when such machine or machines are installed in the factory of the Sublicensee.

All machines delivered into the possession of the Sublicensee, for use by the Sublicensee, as herein in this Clause III provided, shall remain the property of the Licensor, subject to the conditions for transfer of said property hereinafter contained; and on each of such machines there shall be a plate or other permanent mark stating that said machine is the property of the Licensor and in the possession of the Sublicensee only for the purpose of use, and the Sublicensee agrees that said plate shall at no time be removed unless and until the property in said machine shall be transferred to the Sublicensee.

33 In case this agreement continues in force until the first day of June, 1922, the Licensee agrees that he will sell or procure to be sold to the Sublicensee the machines then in the possession, use or control of the Sublicensee, under the terms of this license at the rate of Ten Dollars for each machine.

If this license should be hereafter extended beyond the first day of June, 1922, as provided for in caption II of this license, then said sale of such machines shall be postponed until the expiration of the last extension of this license.

The said Sublicensee shall keep all said machines in good repair, at his own expense, and shall be liable for all taxes and other public charges that may be levied or assessed against said machines and shall pay the same when due.

The Licensee, however, hereby agrees to replace all worn and defective parts of said machines for a period of one year after said machines are delivered to the Sublicensee as aforesaid.

Said Sublicensee shall not remove, nor permit to be removed, such machine or machines outside of said granted territory, nor sell, nor encumber such machine or machines in any manner; nor shall said machines be subject to levy for any judgment or decree rendered against said Sublicensee.

Royalty.

IV. The said Sublicensee further agrees to pay to the Licensee for the exclusive use and possession of said machines, subject to the terms and conditions of this license, a sum equal to seven and a half (7½) per cent of the amount of the gross sales of all wire bound boxes and other articles manufactured by said Sublicensee, or by any Sublicensee of said Sublicensee, upon or with the use of said machine or machines, either in whole or in part, during the period that this license shall be in force, which said seven and a half (7½) per cent will be hereinafter referred to as Royalty. And the Sublicensee agrees to pay said sum equal to seven and a half (7½) per cent of the amount of gross sales herein provided
34 during the period that this license shall be in force as a license fee for the use of any or all of the patented inventions covered by letters patent licensed to be used by the operations of the terms of this agreement.

Said Sublicensee hereby agrees not to give away any boxes or other articles manufactured by such Sublicensee on said machine or machines, except such as are given away as samples boxes for the purpose of introducing said boxes to the trade, and not to sell said boxes or other articles for less than the cost of manufacturing the same, plus a reasonable profit.

The said Sublicensee shall pay said royalty monthly on or before the tenth day of each month for all sales made during the preceding calendar month.

The said Sublicensee agrees that after the expiration of two years from the date hereof, during the period that this license shall be in force, said Sublicensee will pay to said Licensee, during each quarter year, the sum or not less than Eleven hundred twenty-five dollars on account of said royalty, whether or not said Sublicensee shall manufacture or sell any wire bound boxes or other articles, during said quarter year, and whether or not the sum of the royalty of seven and a half (7½) per cent payable for sales in said quarter year shall be less than Eleven hundred twenty-five dollars.

In case, during any quarter year, during the continuance of this license, such amount equal to seven and a half (7½) per cent of the gross sales shall be less than Eleven hundred twenty-five dollars, and during any other quarter year of said year such amount equal to seven and a half (7½) per cent of the gross sales shall exceed the sum of Eleven hundred twenty-five dollars, then such excess over Eleven hundred twenty-five Dollars may be applied toward making up the deficiency in any quarter year of the same year when such seven and a half (7½) per cent of the gross sales is less than the sum of Eleven hundred twenty-five dollars, it being the intention and purpose of this provision that the minimum amount paid by way of such seven and a half (7½) per cent
35 fees on gross sales in any one year shall be the sum of Four thousand five hundred Dollars.

In case said machines are destroyed by fire, or by the elements, or by a mob, or through any agency beyond the control of the said Sublicensee, said Sublicensee shall, within a reasonable time, not to exceed four months after such machines are so destroyed procure other machines from the Licensee and resume the manufacture of such articles; and said Licensee hereby agrees to furnish and deliver to said Sublicensee, at the prices for additional machines hereinbefore mentioned, such machines so ordered by said Sublicensee within said period of four months.

In the event of the destruction of said machines, as aforesaid, the said Sublicensee shall not be required to pay any royalty except on articles actually sold during the period of time intervening between the destruction of said machines, as aforesaid, and the delivery of new machines to said Sublicensee by said Licensee.

In case, at any time during the period that this license is in force, the general business of the Sublicensee is wholly interrupted by reason of a strike, the Sublicensee shall not be required, while such strike lasts, to pay any royalty except on articles actually sold during said period; provided, however, under no circumstances shall the Sublicensee be released on account of strikes, from the payment hereinbefore provided for of the minimum royalty fee for a period in excess of four months in any one year.

Accounting.

V. The said Sublicensee and all sublicensees of said Sublicensee shall keep accurate books of account *of* records of the business carried on hereunder, separate and apart from any other business carried on by the Sublicensee, or any Sublicensee of the Sublicensee, and the Licensee, its agents or attorneys, may examine the said books, and make notes therefrom, at any time during the period that this license shall be in force, and may at all reasonable times enter upon the premises of said Sublicensee, or of any sublicensee of said Sublicensee, and examine said machines.

36 Said Sublicensee shall each month, during the period that this license shall be in force, make an accurate statement in writing to the Licensee, showing the total number of boxes and

shooks manufactured by said Sublicensee and all Sublicensees of said Sublicensee during the preceding calendar month, the number of boxes and shooks sold by said Sublicensee and all Sublicensees of said Sublicensee during such month, the names and addresses of the parties to whom sold, the total amount in value of the sales of said Sublicensee and of all Sublicensees of said Sublicensee for such month, and the number of boxes and shooks delivered by said Sublicensee and all Sublicensees of said Sublicensee during such month.

Such statement shall be mailed by the Sublicensee to the Licensee, addressed to its principal office at New York City, or at such other place as said Licensee may from time to time in writing designate on or before the tenth day of each month during the period that this license shall be in force. Such statement shall be made and mailed as aforesaid, whether or not any articles have been manufactured or sold during the preceding calendar month by the Sublicensee or any Sublicensee of the Sublicensee; and in case no such articles shall have been manufactured or sold during such month, the reasons for not making or selling any of such articles shall be set out in said monthly statement.

In case the Licensee so requires, the Sublicensee shall make affidavit to such statement, and in case of a failure or refusal so to do, the Licensee may, at its option, terminate this license in the manner provided in clause VIII hereof.

Inventions or Improvements of Sublicensee.

VI. It is made a special condition of this license, assented to by the Sublicensee, and failure to perform which by the Sublicensee shall authorize the Licensee in its election to revoke and annul this license, that the Sublicensee shall apply no improvement to or add to the operative elements of any machine obtained by it from the Licensee, as hereinbefore provided, except with the consent
37 and approval of the Licensee, nor shall the Sublicensee alter the mode of operation or arrangement of parts of any of said machines without similar consent of the Licensee, nor shall the Sublicensee, without the consent of the Licensee, produce with the use of such machines any boxes or shooks containing patentable improvements upon the boxes or shooks licensed to be made under this license; and the Licensee may make as a condition to the giving of its consent, as in this clause provided, that the Licensor shall receive the full right and privilege itself to use or make such improvement, addition, or alteration in said machines or boxes or shooks, and to give to any and all of its other Licensees and Sublicensees a similar right, without the payment of any royalty or license fee therefor to the Sublicensee; and it is a further condition of this license that if the Sublicensee or anyone in the employ of the Sublicensee shall make any invention in the nature of an improvement upon any said machine or in methods or machinery for making said boxes or shooks, or any improvement in said boxes or shooks, the nature and operation of said improvement shall be communicated to the Licensor with a full explanation thereof, and the Licensor may thereupon direct that application for United States and foreign letters

patent shall be made thereon at the expense of the Licensor, and said application for patent shall be made and the patents to be granted thereon shall be immediately assigned to the Licensor. And it is a further condition of this license that if the Sublicensee shall acquire by purchase or otherwise from any other person not in the employ of the Sublicensee any invention in the nature of an improvement in such machines or in the methods of operating the same, or in the methods of making such boxes or shooks, or in such boxes or shooks, the Sublicensee shall tender the ownership of said invention or any letters patent of the United States or foreign countries on any such invention to the Licensor at the same price or on the same condition that the same was acquired by the Sublicensee,
38 and if the Licensor shall accept such tender the same shall be conveyed to the Licensor, but it is expressly understood that if the price so paid by the Sublicensee shall be believed to be unreasonable or exorbitant by the Licensor, the Licensor may demand a transfer to it of said invention or patent for a reasonable and proper consideration to be named, and in case the price shall not be agreed to by the parties hereto the dispute thereon shall be submitted to the usual methods of arbitration and determined by such arbitration; and it is a further condition of this license that if any such invention or improvement in, on, or relating to said machines or the method of operating the same or any methods or means for making such boxes or shooks, or in said boxes or shooks, or any letters patent of the United States or foreign countries, upon such invention, shall be offered to said Sublicensee by the inventor or owner thereof or any person interested therein, or if any license or right for the whole or any part of the United States or any foreign country restricted or unrestricted shall be tendered or offered to the Sublicensee by the inventor or owner thereof or any person interested therein, the Sublicensee before accepting the same, shall first cause said tender to be made to the Licensor, or if this cannot be done the Sublicensee shall in negotiations toward accepting said tender or in accepting said tender act as the agent for the Licensor and under the direction of the Licensor as to the amount or consideration to be given for such invention, patent, or license, and if said tender shall so be made to the Licensor it shall first have the privilege to carry on such negotiation looking to the acquirement of said invention, patent or license, and the Sublicensee shall have no right to negotiate in the Sublicensee's own behalf, unless consent thereto shall first be had from the Licensor.

It is a further condition of this license that if the Sublicensee or any one in its employ shall make, devise, construct, design, invent or discover any new machine departing in principle from any of the machines hereinbefore described, and intended for or capable of making boxes constructed wholly or in part of veneer or
39 having its parts wholly or in part held together by wire, or any method or process intended to give or capable of a similar result, or any box or shook constructed wholly or in part of veneer or having its parts or any of them held together wholly or in part by wire, the duties of the Sublicensee with regard to such invention, improvement, or discovery shall be the same as is herein

in this clause before set forth with regard to improvements or inventions upon the machines in preceding clauses of this license described or mentioned, or the boxes or shooks in the preceding clauses of this license described or mentioned; and the duty of the Sublicensee with regard to any such improvement made by other than the Sublicensee or its employés shall be the same as the duty in this clause hereinbefore set forth where the invention or improvement shall relate to the boxes or machines or shooks in the preceding clauses described or mentioned.

It is understood by the Licensor, and Licensee, and the Sublicensee that it is the purpose and object of this clause to enable the Licensor to put all its Licensees and Sublicensees throughout the territory covered by its privileges on an equal footing in the matter of modes and appliances for making boxes and shooks and in the matter of the nature and style of boxes and shooks, so that the public at large may and the several Licensees and Sublicensees shall have the benefit of any improvements that may thus be made provided the Licensor, Licensee or Sublicensee can make satisfactory terms with the inventor or owner of any such improvement for acquiring the right to use the same, and that a full and sufficient consideration to the Sublicensee for any advantage the Licensor shall gain through the operation of this clause is afforded by the exclusive privilege given to the Sublicensee under the operation of this License, and the low sum of the royalty and other cash considerations which the Licensee agrees to accept for such privilege.

The Sublicensee shall receive no commission, brokerage fees, or other form of compensation of any kind or nature whatsoever in connection with the acquirement from the inventor or patentee by the Licensor of any of the inventions, improvements, or patents referred to in this clause VI, except with the knowledge and consent of the Licensor, but the Sublicensee's service, aid, or assistance shall be given wholly without cost to the Licensor, unless otherwise consented to by the Licensor.

It is a condition of this License that the Sublicensee will make no boxes or shooks of the style or type covered by this license with the use of any machines or parts of machines not obtained from the Licensee or from others with the consent of the Licensee.

Boxes to be Marked.

VII. The Sublicensee further agrees that it will not allow any wire bound box or box shook of any description made under this license to leave his factory, or the factory of any of his Sublicensees or go out of his possession, or the possession of any of his Sublicensees, without having plainly stamped on the outer surface thereof the words,—"Patented September 19, 1905" and such other patent dates as the Licensee shall from time to time direct the Sublicensee to mark thereon.

Forfeiting.

VIII. In case the Sublicensee shall fail to comply with and fulfill any or all of the covenants, terms, and conditions of this license,

then and in such event, the Licensee may terminate this license, provided, that whenever the Licensee shall have the right to terminate this license, as aforesaid, and desires so to do, the proceedings shall be as follows, to-wit:

The Licensee shall cause a written notice to be served upon the Sublicensee, which notice shall state specifically the cause for terminating and rendering null and void this license and shall declare the intention of the Licensee to terminate this license.

Such notice may be served upon the Sublicensee by delivery to said Sublicensee, wherever found in the United States, and in case said Sublicensee cannot be found, such notice may be delivered to any agent or person authorized to transact business for the
41 Sublicensee or by sending such notice by registered letter to said Sublicensee at New Orleans, in the State of Louisiana.

And thereupon the Sublicensee shall have thirty days after the service of such notice, as aforesaid, in which to remedy or remove the cause or causes stated in said notice for terminating and rendering null and void this license, and if within said period of thirty days, said Sublicensee does so remedy and remove said cause, then said notice shall be withdrawn and this agreement continue in full force and effect. And in case said Sublicensee does not remedy or remove said cause or causes named for rendering null and void this license, within said period of thirty days, then this license shall be and become null and void from and after the expiration of said thirty days, and in case this license shall become null and void, as aforesaid, said Sublicensee shall immediately deliver to said Licensee, at the place of business of said Sublicensee, all said machines in the possession or control of said Sublicensee, or of any of his Sublicensees under the provisions of this license.

The revocation or annulling of this license at the request of or because of the default of the Sublicensee shall not revoke, annul or otherwise affect any rights theretofore acquired by the Licensor under the operation of clause VI hereof.

Sublicensees.

IX. The Sublicensee is hereby given authority to grant to any other person within said granted territory the right to use and operate said machines or any of them in the manufacture of wire bound boxes and other articles; any such grant of right to such other person, however, shall be made expressly subject to all the terms and conditions of this license. In the event said Sublicensee shall exercise the right conferred upon it by this paragraph, it shall immediately notify the Licensee in writing of the name and address of any such person.

Any such Grantee of the said Sublicensee shall owe the
42 same duties and obligations to said Licensee as are owing to said Licensee by said Sublicensee under the terms of this license (except that all royalties to which the Licensee shall be entitled are by such Grantee, to be paid in the first instance to said Sublicensee, who shall act as the agent of the Licensee in collecting said

royalties and transmitting them to the Licensee), and any breach of any of the terms of this license by any such Grantee of said Sublicensee shall be considered as a breach of this license by said Sublicensee, and for such breach this license may be terminated by said Licensee as hereinbefore provided for in caption VIII of this license as effectually as if said breach had been made by said Sublicensee.

In case this license is hereafter for any reason canceled and annulled, then all rights of Grantee of the Sublicensee in the machines of the Licensee under such Grantee's agreement with said Sublicensee shall cease and terminate.

In any case where said Sublicensee subleases said machines, or any of them, to another person to manufacture wire bound boxes and other articles which are to be used exclusively in the business of such other person and not sold, the royalty hereinbefore provided to be paid by said Sublicensee to said Licensee shall be computed in the following manner: The value of any box or other articles manufactured by any such person, in manner aforesaid, shall be held to be the cost of the material contained in such box or other articles, at current market prices, and the market value of the labor thereon, plus fifty per cent. of such two amounts, and the royalty of seven and a half (7½) per cent. herein provided shall be computed on such value.

Warranty.

X. It is mutually understood and agreed that if at any time hereafter, by the final order or decree of a court of last resort of competent jurisdiction, the Licensor shall be divested of its ownership of its letters patent hereinbefore mentioned or any of them, and by the same order or decree said ownership shall be vested in another
43 person than the Licensor, the Licensee will save said Sublicensee harmless from all damages that said Sublicensee may suffer by reason of such transfer of said ownership by such order or decree of the court; but it is expressly understood that actual and immediate damages and no resultant or exemplary damages shall thus be made good to the Sublicensee by the Licensee.

It is further expressly understood and agreed that if any of the patents or any of the claims of the patents covering or relating to boxes or shooks or machines, means, or methods for making the same or any part thereof, owned by the Licensor, and the right to operate under which is hereby given to the Sublicensee, shall so far be declared invalid or void by a court of last resort that the same machine in all its material and necessary or essential parts can be made and used, and said methods or processes can be practiced and said boxes or shooks manufactured free of any liability of infringement of any of the patents owned by the Licensor and covered by this license, then the Sublicensee may at its election withdraw from this license and be no longer governed thereby, said withdrawal being announced by formal notice in writing delivered to the Licensee and accompanied by a full settlement of all royalties due and payable up to the time of said withdrawal, and in that event the machines then in possession of the Sublicensee shall become the property of the Sub-

licensee upon payment of the sum of $10.00 for each machine. It is expressly understood, however, that it shall not be a sufficient justification for the Sublicensee to withdraw from this license under the operation of this clause, that some or any of the patents or some or any of the claims of the patents of the Licensor shall have so been declared invalid or void, unless the effect of the avoiding or invalidating thereof is to make the essential and necessary appliances needful or necessary to the practice of the Sublicensee of the business under this license wholly free and open to the use of others not Sublicensees of the Licensee; but the fact that others can manufacture boxes or shooks of the kind in this license described at approximately the same cost as the Sublicensee and by the use of machinery
44 herein licensed to be used, without liability to the Licensee because of the infringement of the Licensor's patent, shall be considered sufficient evidence that the necessary and essential machinery is freed from the purview of such letters patent as herein provided which have so been declared invalid.

It is further understood and agreed, however, that the right of withdrawal from this license in this clause provided for shall be exercised by the Sublicensee within thirty days from the date when the conditions justifying such withdrawal shall become known to the said Sublicensee, and if not exercised within said period of thirty days shall be considered as waived and abandoned by the Sublicensee, and this license shall thereupon continue in full force and effect to the full end of the term for which it was originally granted.

Infringements.

XI. The Licensee agrees that it will, at its own expense, defend any suits that may be instituted by any third person against the Sublicensee for alleged infringement of patents by reason of the use by the Sublicensee of machinery furnished to the Sublicensee by the Licensee, or by reason of the manufacture by the Sublicensee of boxes and shooks licensed to be made under this license, and embodying or employing in their construction only such elements or parts as are authorized by the Licensee to be employed or embodied therein, provided that the Sublicensee shall have paid all royalties and all moneys due to the Licensee, and shall give the Licensee immediate notice in writing of the institution of such suits, and shall permit the Licensee to defend the same and shall give the Licensee all needful information in its possession and all reasonable assistance and authority to enable the Licensee to carry on the defense of such suit. The Licensee shall not be responsible for any compromises made without its written consent, nor shall it be bound to defend any suit when the same shall arise by reason of the use of machinery or parts of machinery not furnished by the Licensee.

The Sublicensee hereby expressly acknowledges to be
45 valid all letters patent of the Licensor which may be covered by this license, and also acknowledges the title to said patents to be fully and legally vested in the Licensor.

It is expressly agreed that if for any other reasons or under any

of the authorities or conditions in this license set forth the license hereby granted shall be revoked or annulled or the Sublicensee shall withdraw therefrom and notwithstanding the termination of the license the Sublicensee shall infringe on any of the patents of the Licensor covered by this license, then, in case of any suit for infringement brought by the Licensor or the Licensee against the Sublicensee, the measure of recovery in case of a verdict or decree for the Licensor or the Licensee shall be the same as the license fee hereinbefore agreed to be paid by the Sublicensee as the royalty for the use of any or all the Licensor's patented inventions.

Miscellanea.

XII. It is agreed that articles in substance the same as Sections I and VI of this license shall be included in and form a part of all licenses which may hereafter be granted by the Licensor or the Licensee to any person or company doing business in the United States, except that the territory therein described shall be different.

XIII. It is further understood and agreed that all the terms and conditions in this license contained shall be binding upon and extend to each of the parties hereto, and to and upon their respective successors and assigns, and in each case where either party hereto is mentioned, it is understood and agreed that the terms "Licensee" and "Sublicensee" shall include the successors and assigns of each of said parties.

XIV. The words, "wire bound boxes and other articles," wherever used in this license, shall be held and deemed to mean and include wire bound boxes, barrels, crates and shooks and all other articles manufactured either wholly or in part by one or more of such machines mentioned herein.

A shook is a box, barrel or crate blank in a knocked down
46 condition with the ends ready to be made into a complete article.

The term "use," as applied to boxes in this license, shall be taken to mean the first packing and shipping or transfer of the box.

XV. It is expressly understood and agreed that the Sublicensee may have the right, at any time during the period that this license shall be in force, to withdraw from the license and cease to be a Sublicensee thereunder and be released from any further obligations after said date by reason of any of the terms or conditions of this license, but only upon the performance by the Sublicensee of the following conditions, that is to say: The Sublicensee shall give notice in writing to the Licensee and deliver the same at the general office of the Licensee, in charge of one of its officers, on a day not less than four months prior to the day on which the said license shall thus terminate on the demand of the Sublicensee, of his intention to terminate such license, and shall deliver to the Licensee on or before the day of the expiration of the license according to such notice all machines in his possession or control or in the possession or control of his Sublicensee which prior to that time had been covered by the terms of this license, and he shall on or before said

day of expiration of said license pay to the Licensee the full amount of all royalties that may on said date be unpaid whether from sales of the Sublicensee or any of his Sublicensees, and he and his Sublicensees shall immediately and wholly withdraw from the manufacture or sale in said territory of boxes or shooks or other articles of the kind or class to which the present license relates for the period of two whole years from and after such date of expiration, and shall enter into an agreement in behalf of himself and his Sublicensees so wholly to refrain from the manufacture and sale of such articles in the territory covered by said license for said period of two years; and upon the performance of all these conditions, but not
47 otherwise, the license hereby granted shall thereupon be wholly annulled and the privileges or obligations given to or imposed upon the Sublicensee and Licensee by the terms of this license shall thereupon forthwith cease and determine.

In witness whereof, said Licensee and Sublicensee have each, respectively, caused these presents to be signed and attested on the day and year first above written.

BABCOCK BOX COMPANY.
GUILFORD C. BABCOCK, *Treasurer.*

Attested:
GEO. P. HUNT, *Secretary.*

THE SEA GULL SPECIALTY COMPANY.
HOOPER COYNE, *Treas.-Mgr.*

[Babcock Box Company Seal.]

48 EXHIBIT "B."

Filed September 24, 1912.

D. P. M.: G. R. C.

Exhibit B.

December 11th, 1911.

The Sea Gull Specialty Company, New Orleans, Louisiana.

GENTLEMEN: You are hereby notified that it is the intention of the undersigned to terminate the agreement of license existing between the undersigned and your Company, under which you have heretofore been manufacturing wire bound boxes and other articles covered by letters patent of the United States of America owned by William P. Healy of Chicago, Illinois, upon machines covered by letters patent of the United States of America also owned by said William P. Healy.

The cause or causes for terminating and rendering null and void said agreement of license are as follows:

1. Because your Company has failed to make an accurate statement in writing to the undersigned describing the number of boxes, barrels, crates, the number of shooks, and the number of other wire

bound packages, if any, made or sold by your Company during the month of November 1911; as required under the provisions of said agreement of license.

2. Because your Company has failed to make any statement of any character to the undersigned covering the manufacture by your Company of wire bound boxes and other articles on said machines during the month of November, 1911, as required under the provisions of said agreement of license.

3. Because your Company has failed to pay to the undersigned the royalty due and owing by your Company to the undersigned under said agreement of license covering the manufacture of wire bound boxes and other articles by your Company upon said machines during the month of November, 1911.

You are hereby further notified that in case your Company does not remedy or remove said cause or causes named for rendering null and void the said agreement of license within thirty (30) days next succeeding receipt of this notice by your Company then said agreement of license shall be and become null and void from and after the expiration of said period of thirty (30) days and all your rights thereunder shall cease and determine.

Yours truly,

HEALY BOX CORPORATION,
By GUILFORD C. BABCOCK,
V. P. & Gen'l Manager.

49 *Defendant's Answer.*

Filed December 2, 1912.

United States District Court for the Eastern District of Louisiana, New Orleans Division.

No. 14554. In Equity.

WILLIAM P. HEALY and HEALY BOX CORPORATION
vs.
SEAGULL SPECIALTY COMPANY.

Answer of Defendant.

To the Honorable the Judge of United States District Court for the Eastern District of Louisiana, New Orleans Division:

The answer of the Seagull Specialty Company to the bill of complaint of William P. Healy and the Healy Box Corporation:

This defendant now and at all times hereafter saving and reserving to itself all benefit of objection or exception that can or may be taken to the manifold errors, uncertainties and imperfections in said bill contained, nevertheless, for an answer thereunto or unto so much and such parts thereof as it is advised and believes it is material or necessary for it to make answer unto, answering, says:

First. Defendant, the Seagull Specialty Company admits that it has a regular place of business in the City of New Orleans, in the Eastern District of the State of Louisiana.

Second. Defendant denies that it has ever committed any acts of infringement or is now committing acts of infringement as complained of in said bill of complaint, but defendant says that defendant holds a valid and subsisting contract of license under authority of the Healy Box Corporation, authorizing respondent to use the machines and to manufacture and sell the box blanks described in complainants' bill all of which will be more fully set forth hereinafter.

Third. Defendant has no information other than the allegations contained in said bill of complaint as to whether on or prior to October 17, 1904, Richard G. Inwood and Perry C. Lavenberg, were the original, first and joint inventors of the improvements in box blanks referred to in said bill, and defendant is not informed beyond the facts alleged in said bill as to whether said improvements were known or used in this country before their alleged invention or discovery, nor is defendant informed as to whether they were
50 Patented or described in any printed publication in this or in any foreign country before their alleged invention or discovery, or more than two years prior to the application for letters patent mentioned in said bill, nor is defendant advised as to whether the same were in public use or on sale in this country for more than two years prior to the application for letters patent described in said bill, or as to whether any application for a foreign patent had been filed thereon more than twelve months prior to the filing of the application for letters patent mentioned in said bill, nor as to whether the same had been abandoned, other than as alleged in said bill.

Other than as informed by the allegation in said bill defendant has no information as to whether said Inwood and Lavenberg made application to the Commissioner of Patents of the United States, as alleged in said bill or complied with the conditions of the Laws of the United States for the application given the serial number 238,765, nor has defendant any information other than *is* contained in the allegations of said bill as to whether said Inwood and Lavenberg sold and assigned to the National Wire Bound Box Company the said invention and improvements as alleged in said bill.

Defendant admits on information that on September 19, 1905, letters patent of the United States numbered 799,854 granted to the National Wire Bound Box Company the right to make use and vend the said improvements as alleged in said bill; that defendant is not advised as to the regularity of the issue of said letters patent.

Other than — stated in said bill defendant is not informed as to whether said National Wire Bound Box Company surrendered said letters patent No. 779,854 as alleged in said bill, and made application *in* June 13, 1907, and caused said Letters patent to be cancelled and new letters patent marked Re-issue Number 12,725 to be issued to said National Wire Bound Box Company.

Fourth. Other than as contained in said bill, defendant has no in-

formation as to whether said Inwood and Lavenberg were on and prior to June 13, 1905, the original, first and joint inventors of a certain new and useful improvement in machines for making box blanks, nor as to whether they were not known nor used by others in this country before their alleged invention or discovery by said Inwood and Lavenberg, or more than two years prior to the
51 application for letters patent referred to in said bill, or as to whether the same had not been in public use or on sale in this country for more than two years prior to the application for letters patent described in said bill, or as to whether any application for a foreign patent had been filed upon said invention more than twelve months prior to the filing of the alleged application for letters patent described in said bill in this country, or as to whether said alleged application has been abandoned.

Other than as contained in the said bill, defendant has no knowledge as to whether said Inwood and Lavenberg made application to the Commissioner of Patents of the United States for letters patent for said invention by application filed in United States Patent Office on January 3, 1905, or as to whether this was done in accordance with the then existing laws as alleged as to said application alleged to have been given the serial number 239,415, nor is defendant otherwise informed as to whether said Inwood and Lavenberg did, by instrument in writing, as alleged in said bill, sell and assign unto the National Wire Bound Box Company the said alleged invention.

Defendant is informed that on December 5, 1905, letters patent of the United States, numbered 806,411, were issued to the National Wire Bound Box Company, purporting to secure to said National Wire Bound Box Company the right to make, use and vend the said improvement within the United States as alleged in said bill, but defendant is not informed as to whether the issuance of said letters patent were in all things regular.

Fifth. Other than as contained in the said bill of complaint, defendant is not informed as to whether the alleged inventions and improvements of both of said letters patent were the property of William P. Healy from the time the said alleged inventions were made, or whether both said letters patent were the property of said Healy from the time the same were granted, or as to whether the said National Wire Bound Box Company was the trustee for said Healy with respect to said letters patent, as alleged in said bill, or as to whether said National Wire Bound Box Company held title to both said letters patent for the sole use and benefit of said Healy, or as to whether a decree in equity was rendered in 1911 in the suit of Healy against National Wire Bound Box Company, as alleged in said bill.

Defendant has no information other than as contained in
52 said bill as to whether by an instrument dated in April, 1911, as alleged in said Bill, the said National Wire Bound Box Company assigned to said Healy both the said letters patent.

Sixth. Other than as contained in said bill of complaint, defendant has no information as to whether on and prior to November 18, 1904, said Julius J. Miller was the original and first inventor of an alleged new and useful improvement in machines for making box

blanks, as alleged in said bill, nor is defendant advised as to whether the same was not known nor used by others in this country before his alleged invention or discovery thereof, or as to whether the same was patented or described in any printed publication in this or in any foreign country before his alleged invention or discovery thereof, or more than two years prior to his alleged application for letters patent described in said bill, or as to whether the same was in public use or on sale in this country for more than two years prior to his said application for letters patent, or as to whether any application for a foreign patent had been filed upon said invention more than twelve months prior to the filing of the said application for letters patent, or as to whether the same has been abandoned.

Other than as contained in said bill defendant is not informed as to whether said Miller made application to the Commissioner of Patents of the United States for letters patent for said alleged invention by application of November 18, 1904, or as to whether the same was made in accordance with the then existing laws, or as to whether said Miller complied with the laws as to said application alleged to have been given the serial number 233,274, nor has this defendant any other information as to whether, by instrument in writing, as alleged in said bill, said Miller assigned unto said Healy said alleged invention.

Defendant is informed that letters patent of the United States numbered 815,197, issued to said William P. Healy granting the rights as to said improvement as set forth in said bill, but defendant has no information as to whether said letters patent were regularly issued or not.

Seventh. Defendant protests that defendant has not committed any acts of infringement as complained of in said bill, but defendant is informed that said Healy granted unto said Healy Box Corporation a license to make and use and to grant to its sub-licensees an exclusive or non-exclusive right to make, use and sell ma-
53 chines containing the alleged invention and improvements of said letters patent No. 806,411, and an exclusive right and license to make, use and sell and to grant to its sub-licensees an exclusive or non-exclusive right to make, use and sell boxes containing the inventions and improvements of said re-issue letters patent 12,725, but defendant has no information as to said letters patent 815,197 other than as contained in said bill.

Other than as contained in said bill of complaint defendant is not informed as to whether said Healy and said Healy Box Corporation are, as alleged in said bill, the sole and exclusive owner and the sole and exclusive licensee of said alleged inventions and improvements and of each of said letters patent and of the rights and privileges secured thereby, as alleged in said bill, and defendant is not informed as to what sums have been invested by said complainants, or to what trouble they have been in relation to said alleged inventions and improvements for the purpose of introducing the same into use and making the same profitable to themselves and useful to the public, nor is defendant advised as to what benefit or advantage said alleged inventions and improvements have been to

said complainants. Defendant says that defendant is not advised how far the public have acknowledged and acquiesced in the alleged rights of the complainants, but that defendant charges that in a number of instances the public have expressly denied or defied the exclusive rights of complainants to the said alleged improvements and inventions, and have made and sold machines and have made and sold box blanks similar to those described in said letters patent, all of which will be more fully set forth hereinafter. And this defendant further denies that said complainants will receive large gains and profits from said alleged inventions or improvements only if this defendant is prevented from making, using and vending the same, but that on the contrary, complainants will receive large gains and profits therefrom if defendant is allowed to go forward with the work of making, using and vending the machines and box blanks referred to and described in said patents as under its agreement of license defendant is authorized to do in the event said machines are not found to be property of defendant all as will be more fully set forth hereinafter. And defendant expressly denies that defendant is in any way an infringer, but that defendant is in all things authorized by license agreement executed under authority of said complainant, Healy Box Corporation, to make, vend and
54 use said machines and box blanks.

Eighth. Defendant admits that the alleged inventions described and claimed in the said letters patent No. 806,411, relate to machines for making wire bound box blanks, but defendant has no information as to letters patent No. 815,197 other than is contained in said bill, and defendant has no information as to whether the alleged invention of reissue letters patent 12,725 relates to improvements in box blanks capable of being made upon machines embodying the said alleged inventions described in letters pa' 806,411 and 815,197. Defendant admits that defendant is now and has been for some time engaged in manufacturing wire bound boxes in the City of New Orleans in the Eastern District of Louisiana, but defendant is not informed other than as contained in said bill as to whether defendant is using machines embodying the invention described in said letters patent 815,197, or as to whether the boxes and box blanks made by defendant embody and contain alleged inventions claimed in re-issue letters patent 12,725, but defendant alleges that in the use of said machines and in the manufacture and sale of said box blanks, defendant is acting under authority of the written agreement of sublicense between defendant and the Babcock Box Company, which said agreement has been adopted and authorized by said Healy Box Corporation, a copy of which said agreement of sublicense dated March 19, 1908, is hereto annexed and made part hereof, marked "Exhibit A," and defendant says that under said agreement defendant was authorized to use machines and to manufacture and sell box blanks containing the improvements described in letters patent of the United States 799,854 and 806,411, and defendant avers that said Healy Box Corporation has ratified and confirmed said license agreement and that this defendant is using and is making and selling said box blanks under said two letters patent under authority of said Healy

Box Corporation, and that defendant is in no sense infringing in the use of said machines or in the manufacture and sale of said box blanks.

Ninth. Defendant admits that defendant has been, prior to the 15th of January, 1912, and since that date and is now, using machines embodying the improvements described in said letters patent 806,411, and has been and is making and vending box blanks containing the improvements described in letters patent No. 799,854, as alleged in said bill, but that in so doing defendant has not
55 been infringing the rights of complainants, nor has this defendant been depriving complainants of any profits on account of said letters patent, but that defendant is entitled to counter claims against said profits as against the said complainants, all as is more fully hereinafter set forth, but defendant is not informed as to the regularity of said re-issue letters patent 12,725 or 815,197 relating to the machines and box blanks used and made and sold by defendant. Defendant further avers that defendant has never been and is now in no sense an infringer, but is operating as to said machines and box blanks under authority of complainant, said Healy Box Corporation, and defendant annexes hereto and makes part hereof marked "Exhibit B," a full statement showing the total royalties accrued to complainant which said "Exhibit B" further shows the claims which this defendant has against the complainant, Healy Box Corporation, in reduction of the amounts payable in royalties for the use of said machines and the sale of said box blanks.

Tenth. Defendant admits that defendant was notified that an infringement was claimed, and that since such notice defendant has made and sold boxes under its license and has used machines under its license, but if said boxes and said machines covered improvements under said letters patent No. 815,197, and said re-issue letters patent No. 12,725, that defendant is not an infringer, because the machines embodying said improvements were constructed and erected by the Babcock Box Company and under authority of the Healy Box Corporation, and that defendant is using said machines and selling said boxes under valid existing authority of said complainant. Defendant further admits that defendant has on hand ready for use and sale a large number of boxes made on said machines and has in its possession three machines for use in making such boxes, and defendant expects to continue to sell said boxes and to use the machines, as this defendant has an absolute right to do under authority of the sub-license as hereinafter elsewhere set forth. Which sub-license has never been terminated and is now in full force and effect, and defendant denies that the use of said machines and the sale of said boxes will cause any loss whatever to the complainant, but that this defendant will account to the complainant for all royalties for the use of said machines and the sale of said boxes, if complainant be found entitled to receive the same and that the complainant will receive full profit, to which complainants may be found entitled from the aforesaid acts of this defendant.

56 Eleventh. Defendant is informed that at a time prior to the issuance of the sub-license to the defendant by the Babcock Box Company, the National Wire Bound Box Company exe-

cuted to the Babcock Box Company agreements of license granting to the Babcock Box Company the right to use and operate machines patented under letters patent No. 806,411 and under No. 799,854, which complainant avers is the same as re-issue letters patent No. 12,725 in the territory described in said eleventh paragraph of complainant's bill, and that the said Babcock Box Company was, under the provisions of such license, given the right to sub-let to other persons the right granted to said Babcock Box Company.

Twelfth. Defendant admits that on March 19, 1908 said Babcock Box Company executed to the defendant a sub-license, but defendant is not advised whether the copy attached to the complainant's bill is a true copy, and defendant annexes to this answer a copy of said agreement of March 19, 1908, which defendant has marked "Exhibit A," under which said agreement said Babcock Box Company granted to defendant the sole and exclusive right to use and operate machines under the said letters patent and the sole and exclusive right to sell wire bound boxes embodying the invention set forth in said paragraph twelve in the territory as described in said paragraph twelve, said contract to continue until the first of June, 1922.

Thirteenth. Defendant admits that pursuant to the provisions of such sub-license, said Babcock Box Company leased to this defendant three box blank machines embodying the invention of letters patent No. 806,411, and that defendant paid to the Babcock Box Company the sum of Thirty-five Hundred Dollars ($3,500.00) each for the exclusive use and possession of said machines being a total of $10,500 for all three of said machines during the continuance of said sub-license and subject to all the terms and conditions thereof.

Defendant admits that by the provisions of said sub-license said machines remained the property of said National Wire Bound Box Company subject to certain conditions for transfer, but defendant does not admit that the conditions have never arisen, and de-
57 fendant avers that said conditions have arisen, or at any rate that the Healy Box Corporation is estopped from denying that the said conditions have arisen, as will be more fully set forth hereinafter.

Defendant admits that by said sub-license agreement defendant agreed to pay the Babcock Box Company for the exclusive use and possession of said machines and for the right to sell wire bound boxes and other articles made by means of the said machinery, a sum equal to seven and one-half per cent (7½%) of the amount of the gross sales of all wire bound boxes and other articles manufactured by defendant, as alleged in said bill, the said royalty to be for the use of any or all of the patented inventions licensed to be used by the operation of the terms of the said sub-license, and defendant further admits that defendant agreed to pay said royalties monthly on the tenth (10th) day of each month, for sales made during the preceding calendar month, and further agreed to pay the Babcock Box Company for each quarter, a sum not less than $1,125.00 on account of royalty, whether or not defendant should manufacture or sell wire bound boxes or other articles during said quarter year, and

whether or not the sum of the royalty of 7½%, payable for sales in such quarter, should be less than the sum of $1,125.00.

Defendant further admits that by subsequent agreement between said Bobcock Box Company and defendant, dated April 14, 1910, said minimum royalty was reduced from $4,500.00 per annum to $1,500.00 per annum.

Defendant further admits that under said sub-license defendant agreed that each month during the period that the license should be in force, defendant should make a statement, as alleged in said bill, showing the total number of boxes and shooks manufactured by the Sea Gull Specialty Company during the preceding calendar month; the number of boxes and shooks sold by defendant; the names and addresses of the parties to whom sold, and the total amount in value of the sales of defendant, and the number of boxes and shooks delivered by defendant during such month, such statement to be delivered to licensor, as alleged in said bill.

Defendant further admits that forfeiture or termination provisions, were provided in said agreement of sub-license, as set out in said bill, but defendant expressly denies that there has ever been any forfeiture or termination of said license agreement in fact or in law, although said complainant company has wrongfully
58 and illegally and fraudulently attempted to forfeit and terminate said license agreement.

Fourteenth. This defendant is informed and was informed that on or about April 11, 1911, the rights of the Babcock Box Company under the license agreements referred to in said bill, viz: from the National Wire Bound Box Company, to the Babcock Box Company and from the Babcock Box Company to defendant, were acquired by the Healy Box Corporation and defendant avers that on May 2, 1910, the wirebound Corporation acquired and thereafter conducted the business of the Babcock Box Co. and on April 11, 1911, the Babcock Box Co. transferred defendant's license agreement to the Healy Box Corporation, as shown by Exhibits D and C hereto attached and made parts hereof.

Defendant admits that defendant on or about April 13, 1911, was notified that said Healy Box Corporation had acquired the rights of the Babcock Box Company under the said sub-license.

Fifteenth. Defendant admits that defendant used and operated the machines leased by the Babcock Box Company, as alleged in said bill, in making wire bound boxes, embodying the improvements of letters patent No. 806,411 and 799,854, which latter letters patent complainant alleges have been replaced by re-issue letters patent No. 12,725 and that defendant made to said Healy Box Corporation statements and reports under said license and remitted to said complainant Healy Box Corporation the royalties provided in said sub-license, and did and performed all of the obligations owed by defendant under the terms of said sub-license, and that said Healy Box Corporation recognized said license and this defendant is the licensee of the Healy Box Corporation under said sub-license, but defendant expressly denies that said Healy Box Corporation or said Babcock Box Company did perform all of the duties and obligations owing to

defendant as provided in said sub-license, but defendant avers and charges that the said Babcock Box Company and the said Healy Box Corporation repeatedly and constantly failed to perform various and divers duties which said Babcock Box Company and said Healy Box Corporation owed to this defendant under the terms of said sub-license, as the result of which this defendant has been greatly damaged, and defendant avers that said Healy Box Corporation and said Babcock Box Company have by this defendant been repeatedly notified and required to perform the various and divers duties and
59 obligations to which this defendant refers, all without avail, although said Babcock Box Company and said Healy Box Corporation repeatedly promised and agreed with this defendant that they were performing and would perform all of said duties and obligations, especially those relating to the prevention of infringement upon the improvements covered by said license agreement within the territory covered by said license agreement, all as will be more fully set forth hereinafter.

Defendant avers that defendant, Sea Gull Specialty Company, in undertaking to carry on the business of using said machines and making said wire bound boxes, organized a separate department of its business, which department it described as the Republic Box Company, said Republic Box Company not being a corporation, but being in fact merely a department of the business of said Sea Gull Specialty Company, devoted to the business of using said machines and making and selling said boxes under said license, and that correspondence went on between this defendant through its said department known as the Republic Box Company, and the Babcock Box Company and the Healy Box Corporation, under the name of the Republic Box Company, that notices were sent between said parties in the name of the Republic Box Company, and Payments were made for royalties in the name of said Republic Box Company, and that said Babcock Box Company and said Healy Box Corporation had full notice of such facts.

Defendant admits that defendant did for the months of April, May, June and July, 1911, — *remit to* royalties and make statements to said Healy Box Corporation, as alleged in said bill.

Sixteenth. Defendant admits that defendant did not make statements or pay royalties for the month of August, 1911, and that said Healy Box Corporation gave notice to this defendant of the termination of said sub-license, and that within thirty days thereafter, defendant made statements and paid the royalties for the month of August, 1911, to said Healy Box Corporation, but defendant avers that in fact said royalties were not due to said Healy Box Corporation because said Healy Box Corporation had failed and refused to protect this defendant against infringement upon the improvements under said letters patent within the territory covered by said sub-license, causing loss to the business of this defendant, and that defendant withheld royalties in the hope of inducing said Healy
60 Box Corporation to properly and fairly perform its duties and obligations to this defendant, as said Healy Box Corporation had repeatedly promised and agreed to do, and as said Healy Box Cor-

poration and said Babcock Box Company were bound and obligated to do by such sub-license agreement and by the repeated written promises and undertakings by said Babcock Box Company and said Healy Box Corporation. Defendant admits that defendant did not make statements and reports and pay royalties for the month of September, 1911, and that said Healy Box Corporation gave notice to the defendant of the termination of said sub-license, and that within thirty days defendant made statements and paid royalties for the month of September, 1911, to the Healy Box Corporation, but defendant denies that said royalties for the month of September, 1911, were actually due to said Healy Box Corporation for that defendant had been damaged in a sum greatly in excess of the amount of said royalties, because said Healy Box Corporation had failed to perform the duties and obligations which said Healy Box Corporation and said Babcock Box Company owed to this defendant under the terms of said sub-license, and under repeated written promises and obligations undertaken by said Healy Box Corporation and said Babcock Box Company to protect this defendant against infringement within the territory covered by said sub-license agreement upon the improvements covered by said letters patent referred to in said sub-license agreement, although this defendant repeatedly protested against the failure on the part of said Babcock Box Company and said Healy Box Corporation to protect this defendant against such infringement, and this defendant, as it had a right to do, withheld the royalties for the month of September, 1911, in the hope that thereby it might induce the said Babcock Box Company and the said Healy Box Corporation to perform their said duties and obligations to protect this defendant.

Defendant admits that defendant did not make a statement or pay royalties for the month of October 1911, and that said Healy Box Corporation gave written notice to this defendant of the termination of said sub-license, and that within thirty days thereafter defendant made statements and paid royalties for the month of October, 1911, to the Healy Box Corporation, but defendant denies that said royalties for the month of October 1911 were due by this defendant to said Healy Box Corporation, for that this defendant had been damaged in an amount greatly in excess of the
61 royalties then accrued under said license agreement because of infringements within the territory covered by said sub-license agreement covered by said letters patent described in said sub-license, which said infringements resulted from the failure on the part of said Healy Box Corporation or said Babcock Box Company to protect this defendant against such infringements, as said Healy Box Corporation and said Babcock Box Company were obligated to do under the terms and conditions of said sub-license agreement, and as they had repeatedly agreed to do by written promise and agreements made to this defendant, although this defendant repeatedly warned said Babcock Box Company and said Healy Box Corporation of such infringements and notified said Babcock Box Company and said Healy Box Corporation to prevent such infringements, and that the business of this defendant company was being and would be greatly damaged by such infringement-, and defend-

ant avers that defendant retained the royalties for the month of October, 1911 in the hope that said Healy Box Corporation and said Babcock Box Company might thereby be induced to perform the obligations imposed upon them to protect this defendant against such infringements.

Seventeenth. Defendant admits that during or about the month of October, 1911, said Healy Box Corporation at the request of the defendant, caused said three box blank machines, then in the possession of defendant, to be altered and changed so that said three box blank machines thereafter had certain improvements and additions made thereto, and that defendant has been since and still is using said three box blank machines embodying said changes and improvements, but defendant is not informed other than as stated in said bill, that said improvements and changes embody the alleged invention of letters patent No. 815,197.

Eighteenth. Defendant admits that defendant has been at all times since the said sub-license was granted, and is now using and operating said three box blank machines described in said bill, but defendant expressly denies that defendant has infringed said letters patent No. 815,197, or re-issue letters patent No. 12,725, if said machines embody improvements covered by said letters patent, for that defendant denies that said sub-license has ever been terminated in fact by any act of this defendant, but that said sub-license has always been and is now in full force and effect, unless it be held

62 that said three machines have become the property of this defendant and that defendant has had at all times and has now under said sub-license agreement, authority from said Healy Box Corporation to operate said three box blank machines and to make and vend the box blanks manufactured with said machines.

Nineteenth. Defendant admits that defendant did not make statements and pay royalties for the month of November, 1911, and that no royalties have since been paid, because this defendant was not indebted to said Healy Box Corporation, but that on the contrary said Healy Box Corporation was indebted to this defendant in a sum greatly in excess of the amount then or now due to said Healy Box Corporation for royalties, all *is* will be more fully set forth herein.

Defendant admits that said Healy Box Corporation did give notice of its alleged intention to terminate said sub-license, as set forth in said bill; that said notice was served upon this defendant and that this defendant did not thereafter and has not since paid to said Healy Box Corporation any royalties, but defendant expressly denies that defendant has been in fault in failing to pay said royalties and avers that defendant has not been an infringer because of such failure to pay royalties, for that this defendant had good cause to retain said royalties because said Healy Box Corporation had failed and refused to perform its obligations to protect this defendant against infringement, and that this defendant was accordingly damaged in a sum in excess of the royalties then due, the full amount of which damages defendant could not ascertain, but which were

manifestly greatly in excess of the royalties accrued, and defendant's only recourse to compel said Healy Box Corporation to perform its obligations was to retain said royalties as said Healy Box Corporation failed and refused and declined to perform its said obligations resting upon said Healy Box Corporation and said Babcock Box Company under said sub-license agreement, as will be more fully set forth herein.

Twentieth. Defendant expressly denies that said sub-license agreement described in said bill was ever forfeited or terminated on or about January 15, 1912, or at any other time, but that the sub-license agreement has always been in fuil force and effect and is now in full force and effect, and that this defendant has always had and now has the exclusive, complete and full right under authority of said Healy Box Corporation under said sub-license, to use and operate the said three box blank machines and to make and
63 vend said box blanks with the use of said machines so constructed and erected and delivered to this defendant under said sub-license by said Babcock Box Company and said Healy Box Corporation and defendant denies that said Healy Box Corporation is entitled to receive said machines, but that this defendant has the full right to retain and use and operate said machines under the terms of said sub-license agreement, and that the attempted alleged forfeiture and termination of defendant's rights under said sub-license were wholly without effect or avail as against this defendant, for that said Healy Box Corporation had no authority to cause the alleged forfeiture or termination of said sub-license agreement, all as will be more fully set forth herein.

Twenty-first. This defendant admits that the boxes manufactured and sold by this defendant under said sub-license have been duly marked with the word "patented" as alleged in said bill.

Twenty-second. Defendant has no information other than as contained in said bill as to whether said Healy Box Corporation has granted other licenses for other territorial parts of the United States under said letters patent as alleged in said bill, providing for royalties to be paid to said Healy Box Corporation, nor is this defendant otherwise informed as to what profit and benefit said Healy Box Corporation has derived from such licenses and royalties alleged to have been paid in accordance ther-with, but defendant expressly denies that defendant has committed any unlawful acts in relation to said letters patent, or in relation to the use of said machines, or in relation to the manufacture and sale of the box blanks made with said machines, and defendant denies that any of defendant's acts have been in disregard or defiance of any right of said Healy Box Corporation, or has tended to, or in any way has encouraged or induced others to, disregard any right belonging to said Healy Box Corporation, but on the contrary, defendant avers that defendant has been exercising only such rights as were granted to this defendant by contract under said sub-license, and its rights have always subsisted and still subsist, and defendant further avers that defendant has in fact given notice to said Healy Box Corporation and to said Babcock Box Company of repeated infringements and

attempted or threatened infringements upon the improvements covered by said letters patent described in said sub-license agreements, and has at all times attempted to protect the rights of this defendant and the rights of said Healy Box Corporation and said Babcock Box Company against any infringement or any attempted infringement, and that whatever damages have resulted to said Healy Box Corporation and to said Babcock Box Company from any acts of infringement upon the improvements covered by the letters patent described in said sub-license agreement, have been the result, not of any act on the part of this defendant, but solely and entirely from the laches of said Babcock Box Company and said Healy Box Corporation in failing to prosecute acts of infringement upon the improvements covered by said letters patent, all as will be more fully set forth hereinafter.

64

Twenty-third. Defendant admits by the terms of said sub-license it was agreed that in case of any suit for infringement the measure of recovery should be the same as the license fee agreed to in said sub-license, but this defendant expressly denies that this infringement suit is properly or rightfully brought against this defendant, but is, in fact, a violation of, and a fraud upon, its rights under said sub-license agreement.

Twenty-fourth. Defendant denies that there has ever been any forfeiture or termination of its said sub-license, but defendant is informed that notwithstanding the continued existence of its said sub-license agreement, said Healy Box Corporation, in violation of its rights and in fraud upon its rights under said sub-license agreement, has made with the said Globe Packing Box Company some kind of agreement, the terms of which this defendant is not advised of, but under which said Globe Packing Box Company claims the right to use and operate machines embodying the same improvements as those embodied in the three box blank machines covered by defendant's said sub-license, and under which said agreement, said Globe Packing Box Company claims the right to make and sell wire bound boxes embodying the same improvements as those contained in the wire bound boxes authorized to be manufactured and sold by this defendant under its said sub-license agreement, and that said Globe Packing Box Company claims said rights within the territory covered by this defendant under its said sub-license, under which said sub-license this defendant was granted and now enjoys the exclusive right to use said machines and to make and sell said box blanks. And defendant is informed and believes that under said unlawfully executed agreement with said Globe Packing Box Company, said Globe Packing Box Company was in process of installing machines embodying the same improvements as those embodied in the said machines covered by defendant's said sub-license and now used by this defendant, but defendant denies that said Globe Packing Box Company ever completed the installation of said machines or any of them, or ever made and sold, or is now making and selling boxes within the territory covered by this defendant's said sub-license agreement. Other than is stated in said bill of complaint defendant is not informed

65

as to whether said Globe Packing Box Company has expended any sums in installing or attempting to install said machines but defendant denies that said Globe Packing Box Company has ever expended any sum in using or operating the same, or in making and selling said boxes, and this defendant further avers that on or about the fourteenth (14th) day of November, 1912, all of the said machines which were in course of being installed by said Healy Box Corporation for said Globe Packing Box Company all in violation of this defendant's rights under its said sub-license agreement, and before the installation and erection thereof was completed, were destroyed by fire, and defendant avers that no machines are now in course of installation or erection by said Healy Box Corporation for said Globe Packing Box Company, although defendant is advised and charges that said Healy Box Corporation threatens to begin the installation of other machines for said Globe Packing Box Company, all in violation of the rights of this defendant under its said sub-license agreement, and defendant avers that said Healy Box Corporation had not and has not now any right to make any contract with said Globe Packing Box Company for the erection of any machines, or for the sale of any box blanks embodying improvements covered by the patents described in defendant's said sub-license agreement, and that all profits to which complainant may be found entitled that could possibly be derived from the use of any machines in the territory covered by defendant's said sub-license agreement, or from the sale of box blanks embodying the improvements described in its said sub-license agreement, will be accounted for, and the benefits of which will be received by, said Healy Box Corporation as the result of this defendant's use of the machines, and sale of the box blanks described in, and as authorized by its said sublicense agreement, for that this defendant has always been willing and will continue to account to said Healy Box Corporation for all the profits and royalties derived from the use of said machines and the sale of the box blanks described in said sub-license agreement if complainant be found entitled thereto and that the rights granted to this defendant under said sub-license agreement, which
66 said sub-license agreement has never terminated, and is now subsisting and in full force, have always been and are now exclusive and give this defendant the sole right to use said machines and to vend said box blanks within the territory covered by said agreement, and that defendant's rights are unchanged unless it be held that defendant has become owner of said three machines.

Twenty-fifth. This defendant expressly denies that there ever has been any forfeiture or termination of its said exclusive sub-license agreement on or about January 15, 1912, or at any other time, but that said sub-license agreement is still existing and in full force and effect and is existing within the territory therein described unless defendant be held to be owner of said three machines covered by its sub-license and defendant says that said Globe Packing Box Company has absolutely no right to use said machines or to make and vend said box blanks described in said sub-license agreement, and that said Healy Box Corporation has no right to

grant to any person or company other than this defendant any right to make or to use any machines or to make and sell any box blanks embodying the improvements described in defendant's said exclusive sub-license agreement, and that the said Healy Box Corporation cannot suffer any loss or injury in the premises, for that said Healy Box Corporation will receive absolutely all the profits that can be obtained in said territory from the use of said machines described in said sub-license agreement and from the making and vending of said box blanks, because this defendant will account to and will pay to said Healy Box Corporation all the fruits and profits that can be derived from the use of said machines and the manufacture and sale of box blanks embodying the improvements covered by said sub-license if complainant be found entitled to receive such fruits and profits and that as this defendant has an absolutely exclusive license agreement covering the use of said machines and the sale of said box blanks, as will be more fully hereinafter set forth, there should not only be no injunction against this defendant in regard to such matters, but that on the contrary this defendant is entitled to a writ of injunction restraining and enjoining the said Healy Box Corporation from granting to said Globe Packing Box Co. or to any other person or company, the right to use, and enjoining and restraining said Globe Packing Box Company from using any of the machines and making any of the box blanks embodying the improvements described in its said sub-license agreement.

67 Twenty-sixth. Defendant says that under the first paragraph and under the twelfth paragraph of defendant's said sub-license, defendant was granted the exclusive right to use said machines and the exclusive right to make and sell said box blanks in the territory covered by its said sub-license, and that under the terms of said sub-license said Babcock Box Company and said Healy Box Corporation were and are obligated to protect this defendant against all infringements upon the improvements embodied in said machines and box blanks, and defendant further says that this interpretation has been put upon said agreement by said Babcock Box Company and said Healy Box Corporation and that they have repeatedly promised and agreed with this defendant that they would protect and defend this defendant against all infringements, all of which will be more fully shown by copies of the correspondence between this defendant and said Babcock Box Company and said Healy Box Corporation, which are hereto annexed and marked "Exhibits 1 to 29." And defendant says that as shown by said exhibits, on February 3, 1909 the Burkenroad-Goldsmith Co., Ltd., of New Orleans wrote to the Babcock Box Company regarding the use of these machines. The Babcock Box Company wrote to this defendant on February 6, 1909 enclosing the Burkenroad-Goldsmith letter, and a copy of letter of February 6 from the Babcock Box Company to the Burkenroad-Goldsmith Co., Ltd., and in the letter to the Burkenroad-Goldsmith Co., Ltd., the Babcock Box Company wrote "Our exclusive licensees in New Orleans are the Republic Box Company." On July 9, 1909, the Republic Box Company, which

was another name for a department of the Sea Gull Specialty Co., wrote Mr. Babcock of the Babcock Box Company, referring to infringements and saying "We feel that we are entitled to your protection against your other licensees when it is apparent that they are thinking of invading our territory." And in reply by letter of July 12, 1909 the Babcock Box Company wrote "We have your favor of the 9th and in the absence of Mr. Babcock we beg to advise you that this matter will have our immediate attention. We are most particular in this matter of protection to our licensees and thank you for advising us promptly of the shipment of these cases to your customers." The shipments in question referred to in the letter of July 12 were not from another licensee of the Babcock Box Co., but were shipments of boxes made upon an infringing machine. On

68 July 13, 1909, Mr. Babcock, President of the Babcock Box Company, wrote to this Company referring to the letter of July 9th from this company saying "You may rest assured that we will see that you have the monopoly of the wire bound box business in your territory. If you find anything that is a suspicion of an infringement, I shall appreciate your advising me promptly." On July 22, this defendant wrote to Mr. Babcock of the Babcock Box Company, referring to the infringing on territory of this defendant by boxes made on the Green Street machine. This defendant wrote "If the machine in question is plainly an infringement on yours, I suppose you will have no trouble in keeping them out of this territory, but if there is a doubt about this, then we shall have to fight it out on the new box on a question of merit." This defendant wrote further in that letter "We have written at length, but feel that the possible introduction of any wire bound box company in this city would be quite a serious thing for us as well as for you and I shall be glad to hear from you promptly stating what additional steps if any you will take in this whole matter." By letter dated July 26, 1909 the Babcock Box Company, through its attorney, D. P. Murphy, referring to letter of this defendant of July 22, and referring to the Green Street machine, wrote "1. The Green street machine is a direct infringement upon machines owned and controlled by the National Wire Bound Box Company; 2. The box manufactured on this machine is a direct infringement upon the box of the National Wire Bound Box Company." "The investigations made in this matter were made with a view of bringing suit for injunction for infringement on the Greenstreet box. Preparations are making to this end and a bill is now being drawn by our patent attorneys in Chicago. We are making all possible haste, keeping in mind the fact that we desire to strike effectively when we do strike. It may be a matter of a week or ten days, before this bill is filed. You may rest assured, however, that it will be filed at the earliest possible moment. You will be notified when it is filed, as will also the Reily-Taylor Company, of your City." That letter was answered by this defendant company, this company saying in its letter. "Your letter of the 26th inst. has been received and read with much interest, and we beg to thank you for the definite information contained therein." On November 18, 1909 the National Wire Bound Box Company

wrote the Republic Box Company, being a department of the Sea Gull Specialty Company, a letter signed by Mr. Babcock, the
69 President, and by D. P. Murphy, the counsel of the National Wire Bound Box Company, saying that the National Wire Bound Box Company had filed suit against the Peoria Packing Company, in the United States District Court at Peoria, Illinois, and against the Crawfordsville Wire Bound Box Co. and against the Greenstreet Company in the United States Court at Indianapolis, Indiana but defendant says complainant never filed suit against the Greenstreet Co. which Company was and is the maker and seller of the infringing machines. The National Wire Bound Box Co. further wrote "We have been forced to carry the fight into the camp of those who are attempting to deprive us of our property in our patents by infringing upon the same and we will continue the battle until the infringers are compelled, by order of the Courts, to desist from their unlawful business. We will push these suits with all due speed. Any other infringement upon our patents will be peremptorily dealt with in a similar manner. We will protect our licensees in their business at whatever cost." On November 23, 1909 the Reily-Taylor Co., of New Orleans, wrote the National Wire Bound Box Company saying that it had a proposition from another party by which it could take from defendant Company control of its box business. That letter was enclosed in a letter to this defendant Company of date November 26 from the Babcock Box Company with the statement "Request your New Orleans manager to watch the situation with this firm carefully, and if he finds that they are getting any Wire bounds from any other concerns, let us know, and we will take the necessary legal steps to prevent a repetition." On April 13, 1911 this defendant by letter notified the Babcock Box Company of the attempted sale of boxes infringing upon those described in its sub-license. On April 14, the Healy Box Corporation, replying to this defendant's letter of April 13th wrote "we have turned your letter over to our legal department with instructions to vigorously take the steps that are necessary to protect the interest of our licensee." On August 9, 1911 this defendant notified the Wire Bound Corporation of a project for establishing Greenstreet machines in New Orleans which were infringements upon the machines described in its sub-license. On August 11, 1911 the Healy Box Corporation which had become the successor to the Wirebounds Corporation wrote in reply, in reference to this proposed Greenstreet project "Our attorneys have this matter in hand and are taking the necessary steps." On September 5th and 7th, 1911 this defendant company notified the Healy Box Corporation of infringe-
70 ments in its territory by the Greenstreet machine and requested the Healy Box Corporation to protect defendant against infringements. In reply, the Healy Box Corporation wrote, on September 14, 1911, "We have your favor of the 7th instant in regard to wire bound boxes being shipped into New Orleans and being used by the Reily-Taylor Company. We are sending to the Reily-Taylor Company today a notice of infringement, copy of which we enclose." The letter from the Healy Box Corporation to the Reily-Taylor Company declared that the machines in question

and the Wire bound boxes in question clearly infringed the patents covered by defendant's sub-license. Thus repeatedly from a period early in 1909 until November 1911 the Babcock Company, the National Wire Bound Box Company and the Healy Box Corporation repeatedly promised that they would protect this defendant against all infringements whatever; that they were protecting this defendant against infringement by vigorous prosecution of suits and that this defendant had an exclusive license, a monopoly, under its sub-license. Defendant relied absolutely upon these representations and promises; defendant put out large sums of money in investment in machines and in the business, relying upon the promises of complainant and the Babcock Company and the National Wire Bound Box Co. that they would protect this defendant against infringers, and relying upon their statements that this defendant had exclusive rights and a monopoly, and complainant company is estopped now to deny that it is obligated to protect this defendant against infringement, and is estopped to deny that this defendant has, under its sub-license, exclusive rights and a monopoly in the use of said machines and in the manufacture and sale of said box blanks.

Twenty-seventh. Defendant further says that defendant is strong financially; that defendant has assets of $150,000.00 in value net over and above all of its liabilities, and that defendant is able to respond in damages to any amount that complainant may recover against this defendant at the end of a trial on the merits, and that there is no reason for a preliminary injunction against this defendant, as complainant could suffer no injury by delay.

Defendant further avers that defendant has invested and has now invested a large amount in the three machines which form the subject of complainant's bill; that defendant has invested large sums of money to-wit: a total of $40,000.00, all of which is con-
71 nected with the business of using said machines and carrying on the sale of said box blanks, all of which property to the amount of $40,000.00 would be a practically complete loss if a preliminary injunction were granted, or if defendant's sub-license were declared to be forfeited. That defendant has a lease on the premises where it is carrying on its business, which could not be terminated upon less notice than three months, the rental being $200.00 per month; that defendant has no hand material for the manufacture of boxes to the full amount of $16,000.00, and boxes on hand manufactured to the full amount of $4,100.00, and that defendant has large pending contracts for the manufacture of boxes whereon this defendant would suffer great loss and damage if a preliminary injunction were ordered, or if a final decree were rendered terminating its said sub-license. Defendant further shows that there are outstanding large contracts with customers for their year's supply of boxes, and that such customers would suffer enormous damages, and great loss would be put upon this defendant, and defendant says that in view of these facts and of the equities of this defendant against complainant, there should be no preliminary injunction, but the court should wait a final hearing upon the merits to render a decree.

Twenty-eighth. Defendant further says that although said complainant Company was obligated to protect this defendant against all infringements and although complainant Company repeatedly protested and promised that it would do so and declared that it had filed suits to prevent infringement and would prosecute and was vigorously prosecuting such suits for infringement said complainant has, in fact, not taken any step whatever to prevent infringement, and has not filed any suit whatever in the courts in defendant's territory to prevent infringement on defendant's business; that defendant is informed and believes and charges that the only suits for infringement that have been brough- by said complainant company or the National Wire Bound Box Company or the Babcock Company against infringers, have been two suits referred to in the correspondence above set forth, one against the Peoria Packing Company in Illinois, and the other against the Crawfordsville Wire Bound Box Co. in Indiana, and defendant avers that the suit of the National Wire Bound Box Company against the Peoria Packing Co. was commenced in Illinois on November 13, 1909; that a plea was filed in said case by the defendant on January 13, 1910; that the
72 plea has never been replied to by the complainant in that suit, and there has been no entry of any other order made in the case since the filing of the plea, January 13, 1910. Defendant further avers that in the other suit, to-wit: against the Crawfordsville Wire Bound Box Co., suit was filed on November 13, 1909. On December 6, 1909 the defendant filed an appearance. On February 7, 1910 an answer was filed. On April 4, 1910 replication was filed by the complainant. On May 2, 1910 there was a continuance to the May term, 1910. On October 31, 1910 there was a continuance to the November term, 1910. May 1, 1911 there was continuance to the May term 1911. November 6, 1911 there was continuance to November term, 1911. May 6, 1912 there was continuance to the May term, 1912. The record therefore shows that in both of these cases the complainant filed suit and took absolutely no further step, although protesting and promising that vigorous prosecution of these suits was being made, and would be made, and that the defendants in these suits would be forced to cease infringing. The complainant company has, therefore, not only slept upon its own rights and allowed infringements to go on without prosecuting such infringements, but it has fraudulently led this defendant to believe that it would prosecute all infringements and that it was actually vigorously prosecuting infringements in two suits, and has allowed this defendant to rest in the *behalf* that its rights were being protected and would be protected. The complainant further has failed, although it repeatedly promised that it would do so, to make any effort to file suit against infringers in defendant's territory, although repeatedly advised that infringement was going on, and, as the result of such failure on the part of complainant to check infringers and to prevent infringements in defendant's territory, defendant has been greatly damaged in its business, and such losses as complainant has suffered in royalties have been due entirely to complainant's own laches in not prosecuting infringers.

Twenty-ninth. Defendant further says that as the result of the infringement upon defendant's territory above described, this defendant suffered total losses in its business from September 11, 1911, to August, 1912, to a total of $4,454.33, as shown in detailed statement hereto annexed, marked Exhibit B, and defendant says that the total amount of the royalties due to the complainant and unpaid by this defendant to date amount to $3,082.43, leaving a balance still due to this defendant of $1,371.90 by the complainant Company on account of the loss in damages to its business, resulting from infringements against which the complainant was obligated to defend this defendant and against which complainant agreed and undertook to defend defendant and defendant avers that at no time since this defendant failed to pay over to complainant the royalties provided for under said sub-license, has said complainant company not been indebted to this defendant in a sum greatly larger than the royalties due by this defendant to complainant company under the sub-license, such indebtedness on the part of the complainant in favor of this defendant company being for damages from infringements as above set forth, and at no time has this defendant been in default to the complainant for non-payment of royalties because at no time have royalties been actually due to said complainant, but on the contrary a large amount was due by complainant to this defendant. Defendant says that it was impossible to ascertain the exact amount of damages suffered by defendant, and as defendant requested of complainant to put an end to infringements, and complainant, although vigorously promising to prevent such infringements, finally announced that it would not do so, and the only course left open to this defendant to protect itself, and to compel the complainant to abide by its obligations to defend this defendant against infringements, was to withhold royalties with the view of forcing complainant to abide by its obligations.

73

Defendant further avers that defendant's sales of boxes were gravely reduced by infringements from said Greenstreet machine; that defendant had done a large and profitable business with the Reily-Taylor Co. of New Orleans, which was, in fact, its largest customer, and that the greater part of the business with said Reily-Taylor Co. was withdrawn from this defendant because of sales to that Company of boxes made on said Greenstreet machine, which said Greenstreet machine and said box blanks sold to said Reily-Taylor Co. were infringements upon the patents covered by defendant's said sub-license; that it was only during April, 1912, through defendant's continued commercial activities, and not by any effort on the part of the complainant to restrain the use of the infringing Greenstreet machine or to restrain the sale of the boxes made upon the Greenstreet machine, defendant began to secure more of the business of said Reily-Taylor Co., which had been supplied by said infringements. In May, 1912, defendant secured a contract from said Reily-Taylor Co. to purchase all of their boxes from defendant except a certain quantity which had already been made up for said Reily-Taylor Co. upon said infringing Greenstreet machine, and at that time in warehouses in this territory.

Defendant avers that defendant's sales to said Reily-Taylor Co. during the period that the infringements upon defendant's territory were most harmful were as follows: In September, 1911, $1,332.00; in October, 1911, $1,645.00. The infringing machines then became active and defendant's business with said Reily-Taylor Co., defendant's largest customer, fell away to practically nothing, as is shown by the following statement of its sales to said Reily-Taylor Co.:

74

November,	1911.....	$174.00	May,	1912.....	$986.74
December,	"	323.44	June,	"	714.84
January,	1912.....	541.19	July,	"	886.23
February,	"	324.00	August,	"	1,027.30
March,	"	332.48	September,	"	1,813.01
April,	"	833.08	October,	"	1,611.81

Defendant says that the infringement continued to injure defendant's business actively up to April, 1912, and then commenced to diminish, and since then, as the infringement diminished, not as the result of any action of complainant, but solely as the result of defendant's own vigorous efforts, defendant's sales to said Reily-Taylor Co. have been increasing, but that the infringement upon its business still continues to exist, and the complainant declines and refuses to take any steps towards keeping out infringers.

Thirtieth. Defendant avers that under the terms of said sub-license it was provided that title to said three machines should become vested in this defendant if the patents described in said sub-license, under which said machines were licensed, should be declared void or invalid and defendant avers that under the terms of said agreement, defendant was entitled to a speedy trial of the issues raised in said two suits against the Peoria Packing Company and against the Crawfordsville Company and was entitled to have determined the question as to the validity or invalidity of the patents covered by said sub-license, and defendant avers that complainant plainly made no effort to carry said suits to a termination, thereby preventing any decision as to the validity of such patents, and that this course was a fraud upon the rights of this defendant and that in view of this course on the part of the complainant the complainant is estopped to deny that the conditions provided in said sub-license *has* happened providing for the vesting of the title to said machines in this defendant in the event said patents should be held invalid, and defendant avers that as the result of complainant's fraudulent acts in with-holding prosecution in said patent suits, and of the estoppel operating against said complainant, the title to said three machines has become vested in this defendant, but that if defendant is mistaken in that view and the court should hold that this defendant is not entitled to the ownership of said three machines, then this defendant is prepared to carry on its obligations under said sub-license whenever the complainant undertakes and fulfills the obligation- of protection against infringement which are due to the defendant by the complainant. Defendant further avers that the failure

on the part of said complainant to prosecute said two suits and the evident unwillingness of complainant to have tested the question of the validity of its patents, has encouraged and does encourage
75 infringers to operate, and that this defendant has been a sufferer as the result of said action on the part of complainant, and that complainant is not entitled to any relief at the hands of this court as the result of complainant's laches and delays and failures to prosecute said suit.

Thirty-first. Defendant avers that if a preliminary injunction should be granted, it would have the same effect as a final decree against this defendant, and would result in the absolute loss of all of the assets of said defendant in its said business, and that no loss would result to the complainant by withholding any preliminary injunction and awaiting the final termination of the case, for that this defendant is amply able to respond in damages to any decree that might be recovered against it, and no loss can be suffered by the complainant by delay.

This defendant having made full and complete answer to said bill of complaint insofar as it is advised it is material and necessary for it to answer, denies that complainant is entitled to the relief asked; denies that complainant is entitled to a preliminary injunction or to any relief whatever, and prays the same benefit of the several matters and things hereinabove set forth as if the same had been specifically pleaded whether a plea would have been proper, or as if on action thereof it had demurred in due form to the said bill, or to part or parts thereof where a demurrer would have been proper.

Without this that any other matter, thing or cause in said complainant's bill of complaint contained, material or necessary for this defendant to make answer unto, and not herein and hereby well and sufficiently answered, traversed, or confessed, and avoided or denied, is true to the knowledge, information or belief of this defendant, all of which matters and things this defendant is ready and willing to aver, maintain and prove as this Honorable Court shall direct, and hereby prays to be decreed the owner of said three machines described in complainant's bill, and in any event prays that no injunction, either preliminary or final be granted to complainant, and prays to be dismissed with its costs and charges in this behalf most wrongfully sustained.

(Signed) THE SEA GULL SPECIALTY CO.
HOOPER COYNE, *President.*

(Signed) JAMES E. ZUNTS,
Solicitor and of Counsel for Defendant.

Liverpool & London & Globe Bldg., New Orleans, La.

76 STATE OF LOUISIANA,
Parish of Orleans:

Hooper Coyne, President of the Sea Gull Specialty Company, being duly sworn, deposes and says: That he is the president of the Sea Gull Specialty Company, the defendant herein; that he has

read the foregoing answer and knows the contents thereof, and that the same is true of his own knowledge, except as to the matters therein alleged upon information and belief, and that as to those matters he believes it to be true, and that the reason why the defendant herein does not make this affidavit is that said defendant is a corporation.

(Signed) HOOPER COYNE,
President The Sea Gull Specialty Co.

Sworn to and subscribed before me this second day of December, 1912.

[SEAL.] (Signed) PETER STIFFT,
Not. Pub.

77 *Replication.*

Filed January 3, 1913.

United States District Court, Eastern District of Louisiana.

No. 14554. In Equity.

WILLIAM P. HEALY and HEALY BOX CORPORATION, Complainants,
vs.
THE SEA GULL SPECIALTY CO., Defendant.

And now come William P. Healy and Healy Box Corporation complainants in the above cause, and replying to the answer filed herein, say that, saving and reserving all manner of exceptions to the insufficiency of the answer, for replication thereto, do say that their bill is true and sufficient as averred and that they are ready to prove it, and that the answer of the defendant is untrue and insufficient.

Wherefore, they pray relief as set forth in their original bill.

(Signed) CHARLES ROSEN, *Solicitor.*

78 *Amended Answer.*

Filed March 12, 1913.

United States District Court for the Eastern District of Louisiana, New Orleans Division.

No. 14554. In Equity.

WILLIAM P. HEALY and HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY COMPANY.

On motion of James E. Zunts, of counsel for defendant in the above entitled and numbered cause and on suggesting that defendant

desires to amend defendant's answer in the manner and form below set forth by amending the prayer to defendant's answer;

It is ordered by the Court that defendant be allowed to amend its answer filed in said cause by adding to the prayer after the last clause the following matter:—

And defendant prays that a writ of injunction be granted to this defendant restraining and enjoining the said Healy Box Corporation from granting to said Globe Packing Box Company, or to any other person or company, the right to use, and enjoining and restraining said Globe Packing Box Company from using any of the machines and making any of the box blanks embodying the improvements described in defendant's said sublicense agreement.

And defendant further prays that there be judgment in favor of defendant and against the complainant by way of set-off or counter-claim and recoupment in the sum of $4,454.33 as set forth in defendant's exhibit B attached to this answer to cover the amount suffered by defendant because of the wrongful acts of the complainant company.

And defendant further prays that this answer shall have the same effect as a cross suit.

(Signed) JAMES E. ZUNTS,
Solicitor and of Counsel for Defendant.

Let this amended answer be filed and let defendant's answer be amended as prayed for.

(Signed) RUFUS E. FOSTER, *Judge.*

Mar. 12/13.

79 *Second Amendment to Defendant's Answer.*

Filed March 13th, 1913.

United States District Court for the Eastern District of Louisiana, New Orleans Division.

No. 14554. In Equity.

WILLIAM P. HEALY and HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY COMPANY.

On motion of James E. Zunts, of counsel for defendant in the above entitled and numbered cause and on suggesting that defendant desires to amend defendant's answer in the manner and form below set forth by amending the prayer to defendant's answer:

It is ordered by the Court that defendant be allowed to amend defendant's answer filed in said cause as amended by inserting in the prayer of defendant's answer as amended before the clause commencing "and defendant prays that a writ of injunction, etc. be granted etc.", the following additional paragraph:

"And defendant prays that the title to the said three machines described in said bill and in defendant's answer, be decreed to have become vested in this defendant, but that if defendant is mistaken in that view and the Court should hold that this defendant is not entitled to the ownership of said three machines, then in the alternative defendant prays for an injunction as prayed for in the following clause of the prayer of defendant's answer as amended."

(Signed) JAMES E. ZUNTS,
Solicitor and of Counsel for Defendant.

Let this amended answer be filed and let defendant's answer be amended as prayed for.

(Signed) RUFUS E. FOSTER, *Judge.*

Mar. 13/13.

80 *Defendant's Third Amended Answer.*

Filed April 5th, 1913.

United States District Court for the Eastern District of Louisiana.

No. 14554. In Equity.

WILLIAM P. HEALY and HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY COMPANY.

On motion of James E. Zunts, of counsel for defendant in the above entitled and numbered cause, and on suggesting that defendant desires to amend defendant's answer in the manner and form below set forth, to-wit: by adding at the end of the first paragraph of defendant's answer the following language, to-wit: "But defendant denies that defendant, the Sea Gull Specialty Company, is a corporation organized and existing under and by virtue of the laws of the State of Maryland, or is a citizen of the State of Maryland, and defendant avers that defendant, the Sea Gull Specialty Co., is a corporation organized and existing under the laws of the State of New Jersey and is a citizen of the State of New Jersey; all as is fully shown by a certified copy of the articles of incorporation of defendant company, certified to by the Secretary of State of Louisiana of date April 2, 1913, hereto annexed, marked Exhibit X and made part of defendant's answer.—And on further suggesting that defendant files herewith and attaches hereto as part of this motion the said Exhibit X, being certified copy of articles of incorporation of said defendant company:

It is ordered by the Court that defendant be allowed to amend its answer filed in said cause by adding to the end of the first paragraph of defendant's answer the above quoted language, including in such amendment to defendant's answer a certified copy of the

articles of incorporation of defendant company, marked Exhibit X and attached to and made part of this motion.

(Signed) JAMES E. ZUNTS,
Solicitor and of Counsel for Defendant.

Let this cause be reopened and let this amended answer, together with Defendant's Exhibit X hereto attached be filed and let defendant's answer be amended as above prayed for.

(Signed) RUFUS E. FOSTER, *Judge.*

April 5/13.

81 *Defendant's Motion to Dismiss Suit for Want of Jurisdiction.*

Filed April 5th, 1913.

United States District Court for the Eastern District of Louisiana.

No. 14554. In Equity.

WILLIAM P. HEALY and HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY COMPANY.

Now comes defendant Sea Gull Specialty Company, made defendant in the above entitled and numbered cause and through its undersigned solicitor suggests to the Court that the record in said cause shows that the plaintiff, Healy Box Corporation, and the defendant Sea Gull Specialty Company are both citizens of the same state, to-wit: State of New Jersey, and that said cause does not involve a controversy between citizens of different states, and that the record in said cause shows that said cause does not involve matters arising under the patent laws of the United States, but is a cause involving only the interpretation of a contract and is determinable upon the principles of general law, and that this Honorable Court is without jurisdiction to try or determine the issues involved in said cause.

Wherefore, defendant prays that said cause be dismissed for want of jurisdiction and that said plaintiff company be ordered to show cause on a date to be fixed by this Honorable Court why said cause should not be dismissed for want of jurisdiction.

(Signed) JAMES E. ZUNTS,
Solicitor for Defendant Sea Gull Specialty Co.

It is ordered that the plaintiff Healy Box Corporation show cause on the 19 day of April, 1913 why the above entitled and numbered cause should not be dismissed for want of jurisdiction.

New Orleans, April 5, 1913.

(Signed) RUFUS E. FOSTER, *Judge.*

82 *Marshal's Return on Defendant's Motion to Dismiss Suit for Want of Jurisdiction.*

Filed April 9th, 1913.

Received by
U. S. Marshal,
New Orleans, La.,
Apr. 7/13.

And on same day month and year I served copy hereof on Charles Rosen Att'y of record for Pl'ff by handing same to him in person.

(Signed) VICTOR LOISEL,
U. S. Marshal,
By F. PATTEN, *D'y.*

83 *Exemplified Copy of Certificate of Incorporation of "The Sea-Gull Specialty Company."*

Filed April 19, 1913.

This is to certify that we, Hooper Coyne of the City of New York, Edward D. Hutchinson of the City of Plainfield, State of New Jersey, William J. Dilworth of Norfolk, Virginia, and Lewis D. Campbell of the City of New York do hereby associate ourselves into a corporation under and by virtue of an act of the legislature of New Jersey entitled "An Act concerning Corporations Revisions of 1896," and the acts amendatory thereof for the purposes hereinafter mentioned and to that end we do by this certificate set forth:

First. The name which we have assumed to designate such corporation and to be used in its business and dealings is "The Sea-Gull Specialty Company."

Second. The place in the State of New Jersey where the principal office is to be situated is the City of Jersey City in the County of Hudson.

The corporation is to have power also to conduct business in other States and foreign Countries and to have one or more offices out of this State, and to hold purchase mortgage and convey real and personal property out of this State, and in all the other States and Territories of the United States.

Third. The objects for which the corporation is formed are to manufacture and prepare tea, baking power and alimentary products and other articles for consumption and to buy and sell the same wherever it may do business.

Fourth. The total amount of the capital stock of the Corporation is Twenty thousand ($20,000) dollars; the amount with which it will commence business is Twenty thousand ($20,000) dollars; the capital is divided into Two hundred shares of One hundred ($100) dollars each.

Fifth. The names and residences of the incorporators and the number of shares subscribed by each are as follows:

William J. Dilworth, Norfolk Virginia.....38½ shares.
Hooper Coyne, New York City, N. Y.....23 shares.
Edward D. Hutchinson, Plainfield, New Jersey.... 1 share.
Lewis D. Campbell, New York City, N. Y.....99 shares.

Sixth. The existence of the incorporation shall begin on the 2nd day of August, 1897, and shall continue perpetually.

In witness whereof we have hereunto set our hands and seals the 31st day of July, 1897.

LEWIS J. CAMPBELL. [L. S.]
WILLIAM J. DILWORTH. [L. S.]
HOOPER COYNE. [L. S.]
EDWARD D. HUTCHINSON. [L. S.]

Signed, sealed and delivered in the presence of
JOHN W. HUTCHINSON, JR.

CITY AND COUNTY OF NEW YORK, *ss:*

Be it remembered that on this 31st day of July 1897, before me a Notary Public personally came Hooper Coyne, William J. Dilworth, Edward D. Hutchinson and Lewis D. Campbell whom I am satisfied are the persons named in and who executed the foregoing certificate, and I having first made known to them the con-
84 tents thereof, they did each acknowledge that they signed, sealed and delivered the same as their voluntary act and deed.

WILLIAM C. BREED, [SEAL.]
Notary Public, New York County.

STATE OF NEW YORK,
City and County of New York, ss:

I, Henry D. Purroy, Clerk of the City and County of New York, and also Clerk of the Supreme Court for the said City and County, the same being a Court of Record, Do Hereby Certify, That William C. Breed whose name is subscribed to the Certificate of the proof or acknowledgment of the annexed instrument, and thereon written, was at the time of taking such proof and acknowledgment, a Notary Public, in and for said County, duly commissioned and sworn, and authorized by the laws of said State to take the acknowledgments and proofs of deeds or conveyances for land, tenements or hereditaments in said State of New York. And further that I am well acquainted with the handwriting of such Notary Public, and verily believe that the signature to said certificate of proof or acknowledgment is genuine.

In testimony whereof, I have hereunto set my hand and affixed the seal of the said Court and County, the 31 day of July 1897.

[SEAL.] HENRY D. PURROY, *Clerk.*

Endorsed.

"Received in the Hudson Co. N. J. Clerk's Office Aug. 2nd 1897, and Recorded in Clerk's Record No. — on Page —.
JOHN G. FISHER, *Clerk.*"

"Filed Aug. 3, 1897.
GEORGE WURTS,
Secretary of State."

85 STATE OF NEW JERSEY,
Department of State:

(Coat of Arms, or Emblem of State.)

I, David S. Crater, Secretary of State of the State of New Jersey, Do Hereby Certify that the foregoing is a true copy of the Certificate of Incorporation of "The Sea-Gull Specialty Company," and the endorsements thereon, as the same is taken from and compared with the original filed in my office on the Third day of August, A. D. 1897, and now remaining on file and of record therein.

In testimony whereof, I have hereunto set my hand and affixed my Official Seal at Trenton, this Third day of April, A. D. 1913.

[SEAL.] (Signed) DAVID S. CRATER,
Secretary of State.

86 STATE OF NEW JERSEY:

(Coat of Arms, or Emblem of State.)

James F. Fielder, the President of the Senate Acting Governor of the State of New Jersey, do hereby Certify that David S. Crater, Esquire, who hath signed the annexed Certificate, and whose Official Seal is thereto annexed, was, at the doing thereof, and now is, Secretary of State of the State of New Jersey, duly appointed, commissioned and sworn, and that full faith and credit are to be given to his official attestations; that the said signature is in the proper handwriting of the said David S. Crater, and the seal his seal of office, and that the said Certificate is in due form of law and by the proper officer.

In testimony whereof, I have hereunto set my hand and caused the Great Seal of the State of New Jersey to be hereunto affixed at the City of Trenton, in said State, this Third day of April, in the year of our Lord one thousand nine hundred and thirteen, and of the Independence of the United States the one hundred and thirty seventh.

(Signed) JAMES F. FIELDER.

By the President of the Senate, Acting Governor.
[SEAL.] (Signed) DAVID S. CRATER,
Secretary of State.

87

Note of Evidence.

Filed April 21st, 1913.

United States District Court, Eastern District of Louisiana.

In Equity. No. 14554.

WM. P. HEALY and HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY CO.

Proceedings Had in the Above Numbered and Entitled Cause on the Hearing of Evidence as to the Citizenship of the Seagull Specialty Company under the Order to Reopen the Case to Take Testimony in Open Court Before the Hon. Rufus E. Foster, United States Judge, on the 19th Day of April, 1913.

Appearances:

James E. Zunts, for defendant.
Charles E. Rosen, for complainant-.

Mr. ZUNTS: The defendant offers in evidence motion and order to reopen the case as to citizenship of the defendant company together with the exhibit attached to the motion, and the affidavit attached to said motion. The motion and order subsequently filed and made, ordering the filing of affidavit of defendant's counsel nunc pro-tunc as of the date of the order to reopen the case. The motion and order fixing the case for trial for hearing of testimony as to citizenship and certified copy of the articles of incorporation of the Seagull Specialty Company certified to by the Secretary of State of New Jersey and by the Governor of the State of New Jersey together with the certificates of the Secretary of State and Governor thereto attached.

88 Mr. ROSEN: To all of which offers complainants object on the following grounds:

First. That the said orders were obtained ex parte and without notice to the complainants.

Second. That they came too late, the case having been closed and argued on the merits and submitted to the court for decision several weeks prior thereto.

Third. That in the answers and cross bills theretofore filed in said cause by the defendant, the defendant prayed for affirmative relief by way of damages for injunction and otherwise against the complainants and the Globe Packing Box Company, and had affirmed thereby the jurisdiction of this Court and is estopped now to reopen the question in order to introduce new pleadings and to change the record as to the facts shown by said pleadings and the testimony and notes of evidence therein.

Fourth. That this is a suit arising under the patent laws of the United States of which this court has exclusive jurisdiction.

Fifth. That the documents offered are insufficient to establish the facts sought to be proved.

89 *Opinion.*

Filed July 30, 1913.

United States District Court, Eastern District of Louisiana.

No. 14554.

WILLIAM P. HEALY and HEALY BOX CORPORATION
vs.
THE SEA GULL SPECIALTY CO.

This is the Bill of William P. Healy a citizen of Illinois and the Healy Box Corporation a citizen of New Jersey against the Sea Gull Specialty Company alleged in the Bill to be a citizen of Maryland. The Bill is voluminous but substantially sets out that Healy is the owner of three certain Letters Patent Nos. 806,411, 815,197 and reissued patent No. 12,725, the first two covering machines for making wire bound box blanks, and the third one for the improvement in box blanks themselves; that Healy acquired these Letters Patent from the National Wire Bound Box Company; that prior to Healy's acquisition the National Wire Bound Box Company had licensed the Babcock Box Company and they in turn had licensed the Sea Gull Specialty Company for certain Parishes in the State of Louisiana and within the Eastern District of Louisiana; that after the acquisition of the Letters Patent by Healy he also acquired the sublicense granted by the Babcock Box Company to the Sea Gull Specialty Company. The Bill further sets up that from time to time the Sea Gull Specialty Company made returns of royalties to the Healy Box Corporation but finally declined further to do so; that the notice required by the license was duly given and the license duly forfeited, whereupon the Healy Box Corporation licensed the Globe Box Company for the same territory formerly assigned to the Sea Gull Specialty Company. The Bill also sets out that it was a condition of the license that on its forfeiture the machines in use by the Sea Gull Specialty Company should revert to the Healy Box Corporation and the royalty was fixed at 7½% of the gross sales price on all the boxes and box blanks made by the licensee.

90 The Bill further sets up the infringement of the patents by the Sea Gull Specialty Company by their continued use notwithstanding the forfeiture of the license, and prays for an accounting at the rate of royalty fixed by the license, for the surrender and delivery of the machines, for threefold damages, and for an injunction to prevent the Sea Gull Specialty Company from using the machines or making boxes and from interfering with the Globe Box Company the second licensee.

The answer is silent as to the validity of the patents but does not deny same. It does deny infringement and denies the forfeiture of the license, on the contrary maintaining that the licensee was justified in withholding the customary payment of royalty on the ground of damages to it by reason of the failure of the Healy Box Corporation to protect it from infringers.

After the evidence had been heard in open court, and the case argued, the Sea Gull Specialty Company suddenly discovered that it is a citizen of New Jersey, therefore no diversity of citizenship exists as between it and the Healy Box Corporation. Healy himself may be considered a nominal party as he had assigned all his rights to the Healy Box Corporation. The defendant moved to reopen the case to show its true citizenship and this was allowed. So that the question first to be decided is the jurisdiction of the court to entertain the cause. The defendant relies upon the cases of Wilson vs. Sanford, 10 How., p. 99; Hartell vs. Tilghman, 99 U. S. p. 547; Excelsior Wooden Pipe Co. vs. Pacific Bridge Co., 185 U. S. p. 282; and Henry vs. Dick, 224 U. S. p. 1. While the plaintiff relies mainly upon the cases of Littlejohn vs. Perry, 21 Wall. p. 205; White vs. Rankin, 144 U. S. p. 628; and The Fair vs. Kohler decided by the Supreme Court March 24th 1913 not yet reported in the permanent edition.

I have examined all of these cases with many others, and it is indeed difficult to reconcile the jurisprudence, but the Supreme Court seems to have laid down the rule that where the Bill itself is in the usual form for infringement and says nothing at all about a license having been granted, the fact that the license is
91 relied upon by the defendant will not oust the jurisdiction of the Court. Further that where the patentee sues the licensee for infringement on the ground that the patented article is being used in some manner not permitted by the license, or is being sold in violation of the license agreement, the suit is one for infringement and the Court has jurisdiction under the patent laws. And that where the licensee sues the patentee on the ground that he has violated the license the suit is properly one for infringement and the court has jurisdiction regardless of citizenship. But the cases are unanimous that where there has merely been a violation of the license by failure to pay the royalty, and the license has either been treated as forfeited, or the suit is for forfeiture of the license as well as infringement the case is one arising purely on contract and not under the patent laws and the Federal courts have no jurisdiction unless the suit is between citizens of different States and involves the jurisdictional amount.

In this case it will be noted that the owner of the patent sets up the license to the defendant and its forfeiture by failure to account for and pay over the royalties agreed upon and he is seeking an accounting in accordance with the terms of the license and to have turned over to him the machines in accordance with the terms of the license agreement. And as there is no denial of the validity of the patent by the defendant the rights secured to the owner of the patent by the patent laws are not in contest.

It seems to me that this case is squarely on all fours with the case of Hartell vs. Tilghman, and must be governed and controlled by that case. In this connection it may be noted that the Hartell case has been referred to and commented on by the Supreme Court in all the later decisions, and at no time has it ever been overruled or the doctrine laid down by it altered or amended in any way notwithstanding its apparent conflict with some of them.

92 It, therefore, being apparent that there is no diversity of citizenship in this case, and that it does not arise under the patent laws. it must be dismissed under the imperative provisions of Sec. 5, Act of March 3rd, 1875.

It is to be regretted that the jurisdictional question was not raised in limine. The defendant ought to have known under what laws it was organized, and therefore it would seem right and just that it should pay the costs incurred up to the time of filing the motion to dismiss.

The suit will be dismissed without prejudice to complainants' rights, the defendant to pay the costs up to the time of filing the motion to dismsis, complainants to pay those incurred thereafter.

93 *Decree.*

Filed August 2nd, 1913.

United States District Court, Eastern District of Louisiana, May Term, 1913.

No. 14554. In Equity.

WILLIAM P. HEALY and HEALY BOX CORPORATION
vs.
THE SEA GULL SPECIALTY CO.

Decree.

This cause came on to be heard on a former day of this term, and was argued and submitted by counsel; and thereupon, upon consideration thereof, and for the reasons assigned in the written opinion of the Court on file, it was ordered, adjudged and decreed as follows, viz:

Upon motion of the Sea Gull Specialty Company, defendant in the above cause, that the above cause be dismissed for want of jurisdiction; and the record showing that this Court is without jurisdiction to try said cause, this Court doth order, adjudge, and decree that the above cause be dismissed without prejudice to complainants' rights.

And it is further ordered, adjudged and decreed that all costs incurred up to the filing of defendant's motion to dismiss said cause on April 5th, 1913 be paid by the defendant, and that all costs incurred thereafter be paid by the complainants.

This 2nd day of August, 1913.

(Signed) RUFUS E. FOSTER, *Judge.*

94 *Petition for Rehearing.*

Filed August 12, 1913.

United States District Court, Eastern District of Louisiana.

No. 14554. In Equity.

WILLIAM P. HEALY and THE HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY CO.

To the Honorable the Judge of the United States District Court for the Eastern District of Louisiana:

The petition of William P. Healy and the Healy Box Corporation, Complainants, shows unto your Honor that, *being* — aggrieved by the decree entered in this cause on the 2nd day of August, A. D., 1913, by which Complainants' bill of complaint was dismissed, as set forth more particularly in said decree; and that the Court erred in sustaining defendant's motion to dismiss Complainants' bill for want of jurisdiction; that the Court erred in not holding that this was a suit arising under the Patent Laws of the United States, and that this Court had jurisdiction thereof, and in not overruling defendant's motion to dismiss Complainants' bill for want of jurisdiction; and that the Court erred in dismissing Complainants' bill of complaint herein.

Wherefore, Complainants pray that your Honor will grant a rehearing; submitting to such orders as the Court may make if the application be without merit.

And for general and equitable relief.

(Signed) CHARLES ROSEN, *Solicitor.*

95 *Order Denying Rehearing.*

Extract from the Minutes, May Term, 1913.

NEW ORLEANS, TUESDAY, August 12th, 1913.

Court met pursuant to adjournment.

Present: Hon. Rufus E. Foster, Judge.

No. 14554.

WILLIAM P. HEALY and HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY CO.

This cause came on to be heard upon the petition, this day filed by William P. Healy and the Healy Box Corporation, complainants, for a rehearing herein, and was submitted by the solicitor for said complainants;

Whereupon, and on due consideration thereof, it is now ordered by the Court that the said petition filed by William P. Healy and the Healy Box Corporation, complainants, for a rehearing herein, be, and the same is hereby overruled, and that a rehearing in this cause be denied.

96 *Petition for Appeal and Order Thereon.*

Filed August 12th, 1913.

United States District Court, Eastern District of Louisiana.

No. 14554. In Equity.

WILLIAM P. HEALY and THE HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY CO.

The above named complainants, William P. Healy and the Healy Box Corporation, conceiving themselves aggrieved by the decree made and entered on the 2nd day of August, A. D. 1913, in the above entitled cause, do hereby appeal from said order and decree to the Supreme Court of the United States, for the reasons specified in the assignment of errors, which is filed herewith, and pray that this appeal may be allowed, and that a transcript of the record, proceedings, and papers upon which said order was made, duly authenticated, may be sent to the Supreme Court of the United States.

(Signed) CHARLES ROSEN,
Solicitor for Complainants.

Dated this 12th day of August, A. D. 1913.

The foregoing petition and claim of appeal is allowed, upon Complainants' furnishing bond in the sum of One Hundred dollars.

(Signed) RUFUS E. FOSTER,
District Judge of United States for Eastern District of Louisiana.

August 12th, 1913.

97 *Assignment of Errors.*

Filed August 12, 1913.

United States District Court, Eastern District of Louisiana.

No. 14554. In Equity.

WILLIAM P. HEALY and THE HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY CO.

Complainants, William P. Healy and the Healy Box Corporation, pray an appeal from the final decree of this Court to the Supreme Court of the United States, and assign for error:

1st. That the Court erred in sustaining defendant's motion to dismiss complainants' bill for want of jurisdiction.

2nd. That the Court erred in not holding that this was a suit arising under the Patent Laws of the United States, and that this Court had jurisdiction thereof, and in not overruling said motion of defendant to dismiss complainants' bill of complainant for want of jurisdiction; and,

3rd. That the Court erred in dismissing complainants' bill of complaint herein;

Wherefore, complainants pray that the decree of the said District Court of the United States for the Eastern District of Louisiana be reversed.

And for general and equitable relief.

(Signed) CHARLES ROSEN,
Solicitor of Complainants.

98 *Certificate of Judge.*

Filed August 12, 1913.

United States District Court, Eastern District of Louisiana.

No. 14554. In Equity.

WILLIAM P. HEALY and THE HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY CO.

In this case, I hereby certify that the judgment of dismissal herein is based solely on the ground that the cause set forth in the Bill of Complaint, in my opinion, is not one arising under the patent Laws of the United States, and no other ground of jurisdiction appears from the record in this case, and that the case is dismissed for want of jurisdiction for the reasons above stated.

This certificate is made conformable to Act of Congress of March 3rd, A. D. 1911, Section 238; and the opinion filed herein is made part of the record and will be certified and sent up as a part of the proceedings, together with this certificate.

Dated this 12 day of August, A. D. 1913.

Signed) RUFUS E. FOSTER,
District Judge of the United States for the Eastern District of Louisiana.

99 *Bond.*

Filed August 12, 1913.

United States District Court, Eastern District of Louisiana.

No. 14554. In Equity.

WILLIAM P. HEALY and THE HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY CO.

Know all men by these presents, that we William P. Healy and the Healy Box Corporation, as Principals, and Sigismund S. Levy, of New Orleans, Louisiana, as Surety, are held and firmly bound unto the Sea Gull Specialty Company, in the full and just sum of One hundred Dollars, to be paid to the said Sea Gull Specialty Company, its certain attorneys, executors, administrations or assigns; to which payment, well and truly to be made, we bind ourselves, our heirs, executors and administrators, jointly and severally by these presents. Sealed with our seals and dated this 12th day of August, in the year of our Lord One Thousand, Nine Hundred and Thirteen.

Whereas, lately at a District Court *for* the United States for the Eastern District of Louisiana, on the 2nd day of August, A. D. 1913, in a suit depending in said Court, between William P. Healy and the Healy Box Corporation, complainants, and the Sea Gull Specialty Company, a decree was rendered against said William P. Healy and the Healy Box Corporation; and the said William P. Healy and the Healy Box Corporation, having obtained an appeal and filed a copy thereof in the Clerk's office of said Court, to reverse the decree in the aforesaid suit, and a citation directed to the said Sea Gull Specialty Company, citing and admonishing said Sea Gull Specialty Company to be and appear at a session of the Supreme Court of the United States to be holden at the City of Washington, D. C., United States of America, within thirty days from the date thereof.

Now the condition of the above obligation is such that if the said William P. Healy and the Healy Box Corporation shall prosecute their appeal to effect and answer all damages and costs if they
100 fail to make good their plea, then the above obligation to be void; else to remain in full force and virtue.

(Sig.) WILLIAM P. HEALY AND [SEAL.]
" HEALY BOX CORPORATION, [SEAL.]
By CHARLES ROSEN, *Solicitor.*
" S. S. LEVY. [SEAL.]

Signed and delivered in the presence of

(Sig.) NICHOLAS BAUER.
" C. A. FAVROT.

STATE OF LOUISIANA,
Parish of Orleans, ss:

Before me, the undersigned a duly commissioned and qualified Notary Public in and for the above Parish and State, personally came and appeared Sigismund S. Levy, who being duly sworn, deposes and says that he resides in the City of New Orleans, State of Louisiana, and that he is well worth the sum of One Hundred Dollars over and above all his debts and liabilities.

(Signed) S. S. LEVY.

Sworn to and subscribed before me this 12th day of August, A. D. 1913.

[SEAL.] (Signed) ANDREW HERO,
Not. Pub.

Approved by
(Signed) RUFUS E. FOSTER,
Judge of the United States District Court for the Eastern District of La.

101

Præcipe.

Filed August 14, 1913.

United States District Court, Eastern District of Louisiana.

No. 14554. In Equity.

WILLIAM P. HEALY and THE HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY CO.

Præcipe.

To Henry J. Carter, Esq., Clerk of District Court of the United States for the Eastern District of Louisiana.

DEAR SIR: Please make transcript of appeal of the following named papers herein:

(1) Bill of Complaint, with verification and order thereon; and Exhibits "A" and "B" filed therewith; viz, Copy of License Agreement and Notice of Termination thereof;

(2) Answer of Defendant; and Replication thereto, and Defendant's 1st, 2nd and 3rd Amended Answers.

(3) Motion of Defendant to dismiss Bill for want of jurisdiction, and order thereon;

(4) Articles of incorporation of defendant and certificate attached thereto, and note of evidence of defendant on trial of motion to dismiss for want of jurisdiction.

(5) Opinion and decree of Court;

(6) Petition for rehearing and order of court denying same;

(7) Petition for appeal and order of court thereon allowing same;
(8) Assignment of errors;
(9) Certificate of Judge of August 12th, 1913, certifying question of jurisdiction;
(10) Bond of Appeal and approval of Judge thereof;
(11) Præcipe for transcript and acknowledgement of service thereof; and,
(12) Certificate of Clerk to transcript of appeal.

(Signed) CHARLES ROSEN,
Solicitor for Complainants.

Service acknowledged this 13th day of August, 1913.
(Signed) JAMES E. ZUNTS,
Solicitor for Defendant.

102 *Defendant's Præcipe.*

Filed August 21st, 1913.

United States District Court, Eastern District of Louisiana.

No. 14554. In Equity.

WILLIAM P. HEALY and THE HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY CO.

Defendant's Præcipe.

To Henry J. Carter, Esq., Clerk of District Court of the United States for the Eastern District of Louisiana.

DEAR SIR: The defendant in the above cause desires the following additional portions of the record incorporaed into the transcript for appeal in the above cause in addition to those set forth in the præcipe filed by solicitor for complainants, to-wit:

(1) Defendant's Exhibits B, C and D and numbers 1 to 29, both inclusive, which were filed with and attached to defendant's answer.
(2) Defendant's document marked Black — 1, designated as a statement for the months of November 11 to October 12 of box sales and royalty.
(3) Defendant's second amended answer and the order filing same.
(4) Defendant's motion to fix for trial hearing on the question of defendant's citizenship: order fixing trial for April 19, 1913, and Marshal's return thereon.
(5) Defendant's first amended answer and order filing same.
(6) Note of evidence on behalf of plaintiffs and defendants and the trial on the merits filed March 20, 1913.
(7) Plaintiff's document unmarked, transcript in the suit of

Healy Box Corporation vs. Chicago Mill Co., District Court of Illinois.

(8) Defendant's document No. 59. Letter from Sea
103 Gull Co. to Healy Co. of September 28, 1911, and reply from Healy Co. of September 30, 1911.

(9) Plaintiff's document, unmarked, transcript of suit of Healy Box Corporation vs. McLaughlin Co., filed December 20, 1911, District Court of Illinois.

(10) Plaintiff's document, unmarked, transcript of Healy Box Corporation vs. Kirk & Co., District Court of Illinois, filed December 20, 1911.

(10*a*) Defendant's third amended answer and exhibit X attached thereto, and order reopening case and filing answer and exhibit.

(10*b*) Defendant's document 42, letter from Sea Gull Co. to Healy Co. of March 1, 1913.

(10*c*) Defendant's document 43, statement of claim of Sea Gull Co. against Healy Co. of March 1, 1913.

(10*d*) Defendant's document 44, claim of Sea Gull Co. covering loss of business from Reilly-Taylor Co. dated December 2d, 1912.

(11) Plaintiff's document, unmarked, transcript Healy Box Corporation vs. Armour Co., District Court of Illinois, filed December 20, 1911.

(12) Affidavit of defendant's solicitor of April 17, 1913, and order as to plea of citizenship of defendant.

(13) The testimony of the witness for defendant, W. B. Reilly, Jr., in the exact words of the witness.

(14) The testimony of the witness Douglas Black for defendant in the exact words of the witness.

(15) The testimony of defendant's witness Hooper Coyne in the exact words of the witness.

(16) Defendant's document No. 30, Certificate of Clerk of United States District Court, Peoria, Illinois, showing no suit filed by National Wire Bound Box Co. against Greenstreet Co.

(17) Defendant's document No. 31, transcript of suit of National Wire Bound Box Co. vs. Crawfordsville Co., United States District Court of Indiana.

(18) Defendant's document No. 32, transcript of National Wire Bound Box Co. vs. Peoria Packing Co., United States District Court, Peoria, Illinois.

(19) Defendant's document No. 33, letter of October 13, 1911, from Healy Co. to Sea Gull Co.

(20) Defendant's document No. 34, letter of September 30, 1911, from Healy Co. to Sea Gull Co.

(21) Defendant's document No. 35, letter from Sea Gull Co. to Healy Co. of December 5, 1911.

104 (22) Defendant's document No. 36, letter from Healy Co. to Sea Gull Co. of August 11, 1911.

(23) Defendant's document No. 37, letter from Mr. Gayley, General Counsel for Healy Box Co. to Sea Gull Co. of December 13, 1911.

(24) Defendant's document No. 38, letter from Sea Gull Co. to Healy Co. of December 26, 1911.

(25) Defendant's document No. 39, Letter from Sea Gull Co. to Healy Co. of December 29, 1911.

(26) Defendant's document No. 40. Showing purchase by Reilly-Taylor Co. from Buckeye Veneer Co.

(27) Defendant's document No. 41. Comparative statement of material and machinery inventories of Sea Gull Co.

(28) Defendant's Præcipe for additional portions of record for transcript and acknowledgment of service thereof.

(Signed) JAMES E. ZUNTS,
Solicitor for Defendant.

Service of copy of the foregoing præcipe is hereby acknowledged this 21st day of August, 1913.

(Signed) CHARLES ROSEN,
Solicitor for Complainants.

Order.

The above and foregoing Defendant's Præcipe having been submitted to the Court for directions to the Clerk in preparing the transcript of appeal herein,

The Court being of opinion that the same are unnecessary to a determination of the question of jurisdiction herein, *and* the Clerk is hereby directed to omit the portions of the record described in said defendant's præcipe from the transcript of appeal herein.

(Signed) RUFUS E. FOSTER,
Judge of the United States District Court for the Eastern District of Louisiana.

August 21st, 1913.

105 UNITED STATES OF AMERICA:

District Court of the United States, Eastern District of Louisiana.

Clerk's Office.

I, Henry J. Carter, Clerk of the District Court of the United States for the Eastern District of Louisiana, do hereby certify, that the foregoing 104 pages contain and form a full, complete, true and perfect transcript of the Record, Assignment of Errors and all Proceedings in the case of William P. Healy and the Healy Box Corporation versus the Sea Gull Specialty Company, No. 14,554 of the Docket of the said Court, (as made in accordance with Counsel for Complainants' Præcipe for transcript, copied therein), together with Counsel for Defendant's Præcipe for transcript, and the Order denying same.

Witness my hand and the seal of said Court, at the City of New Orleans, Louisiana, this 21st day of August, A. D. 1913.

[Seal U. S. District Court for the Eastern Dist. of La., N. O. Div.]

H. J. CARTER, *Clerk,*
By W. B. DONOVAN,
Deputy Clerk.

106 United States District Court, Eastern District of Louisiana.
In Equity.

No. 14554.

WILLIAM P. HEALY and THE HEALY BOX CORPORATION
vs.
SEA GULL SPECIALTY CO.

THE UNITED STATES OF AMERICA, *ss:*

The President of the United States to the Sea Gull Specialty Co., Greeting:

You are hereby cited and admonished to be and appear at the Supreme Court of the United States, at the City of Washington, D. C. within thirty days from the date of this writ, pursuant to an appeal duly allowed by the District Court of the United States for the Eastern District of Louisiana, and filed in the Clerk's office of said Court, on the 12th day of August, A. D. 1913, in the cause wherein William P. Healy and the Healy Box Corporation are appellants, and you are appellee, to show cause, if any, why the decree rendered against said appellants, as in said appeal mentioned, should not be corrected and why speedy justice should not be done to the parties in that behalf.

Witness the Honorable Rufus E. Foster, Judge of the District Court of the United States of the Eastern District of Louisiana, this 12 day of August, A. D., 1913.

RUFUS E. FOSTER,
District Judge of United States for the Eastern District of Louisiana.

Service of a copy of the within citation is hereby admitted, this 12th day of August, 1913.

JAMES E. ZUNTS,
Solicitor for Defendant.

107 [Endorsed:] No. 14,554. U. S. District Court, Eastern District of Louisiana, New Orleans Division. William P. Healy and The Healy Box Corporation vs. The Sea Gull Specialty Company. Citation of Appeal. U. S. District Court, Eastern District of Louisiana, New Orleans Division. Filed Aug. 12 1913. H. J. Carter, Clerk. Hy. J. Loisel, Dep. Clerk.

Endorsed on cover: File No. 23,840. E. Louisiana D. C. U. S. Term No. 689. William P. Healy and The Healy Box Corporation, appellants, vs. Sea Gull Specialty Company Filed August 27th, 1913. File No. 23,840.

/3

Office Supreme Court, U. S.
FILED
NOV 17 1913
JAMES D. MAHER
CLERK

Supreme Court of the United States.

OCTOBER TERM, 1913.

No. 253

WILLIAM P. HEALY

AND

HEALY BOX CORPORATION,
Appellants,

vs.

SEA GULL SPECIALTY COMPANY,
Appellee.

MOTION TO ADVANCE CAUSE UNDER RULE 32.

CHARLES ROSEN,
Counsel for Appellants.

C. G. Burgoyne, 72 to 78 Spring Street, New York.

Supreme Court of the United States,

No. 689.

OCTOBER TERM, 1913.

WILLIAM P. HEALY AND HEALY BOX CORPORATION,

COMPLAINANTS AND APPELLANTS,

VERSUS

SEA GULL SPECIALTY COMPANY,

DEFENDANT AND APPELLEE

TO THE HONORABLE THE CHIEF JUSTICE AND ASSOCIATE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

The petition of William P. Healy and the Healy Box Corporation, Complainants and Appellants, respectfully represents:

That, as appears from the certificate of the District Judge herein, and from the opinion and decree of said District Judge, and the assignments of error herein, the only question in issue upon this appeal, is the question of jurisdiction of the Court below; and that according to Rule 32 of the rules of this Honorable Court, this cause should be advanced and heard under the rules prescribed by Rule 6 in regard to motions to dismiss writs of error and appeals.

Petitioners further aver that they have given notice of their intention to file this motion on Monday, November 17th, 1913,

and that the Defendant, through its Solicitor of record, has accepted service of notice hereof, as shown by the notice and acceptance of service, annexed hereto and filed herewith.

WHEREFORE petitioners move this Honorable Court that this case be advanced in accordance with Rule 32, be fixed for hearing and heard under the rules prescribed by Rule 6 in regard to motions to dismiss writs of error and appeals.

CHARLES ROSEN,
Solicitor for Complainants and Appellants.

TO SEA GULL SPECIALTY COMPANY,
Defendant and Appellee:

Please take notice that on Monday, November 17th, 1913, Complainants and Appellants will present to the Honorable Supreme Court of the United States, at Washington, D. C., the above and foregoing motion, copy of which is now served upon you, to advance this cause for hearing, the same in accordance with Rule 32 of the rules of said Court.

CHARLES ROSEN,
Solicitor for Complainants and Appellants.

Service of the above and foregoing motion and notice is hereby acknowledged, at New Orleans, this 11th day of November, 1913.

JAMES E. ZUNTS,
Solicitor for Defendant and Appellee.

Supreme Court of the United States

October Term, 1913

No. 265

WILLIAM F. HEALY

and

HEALY BOX CORPORATION,

Appellants,

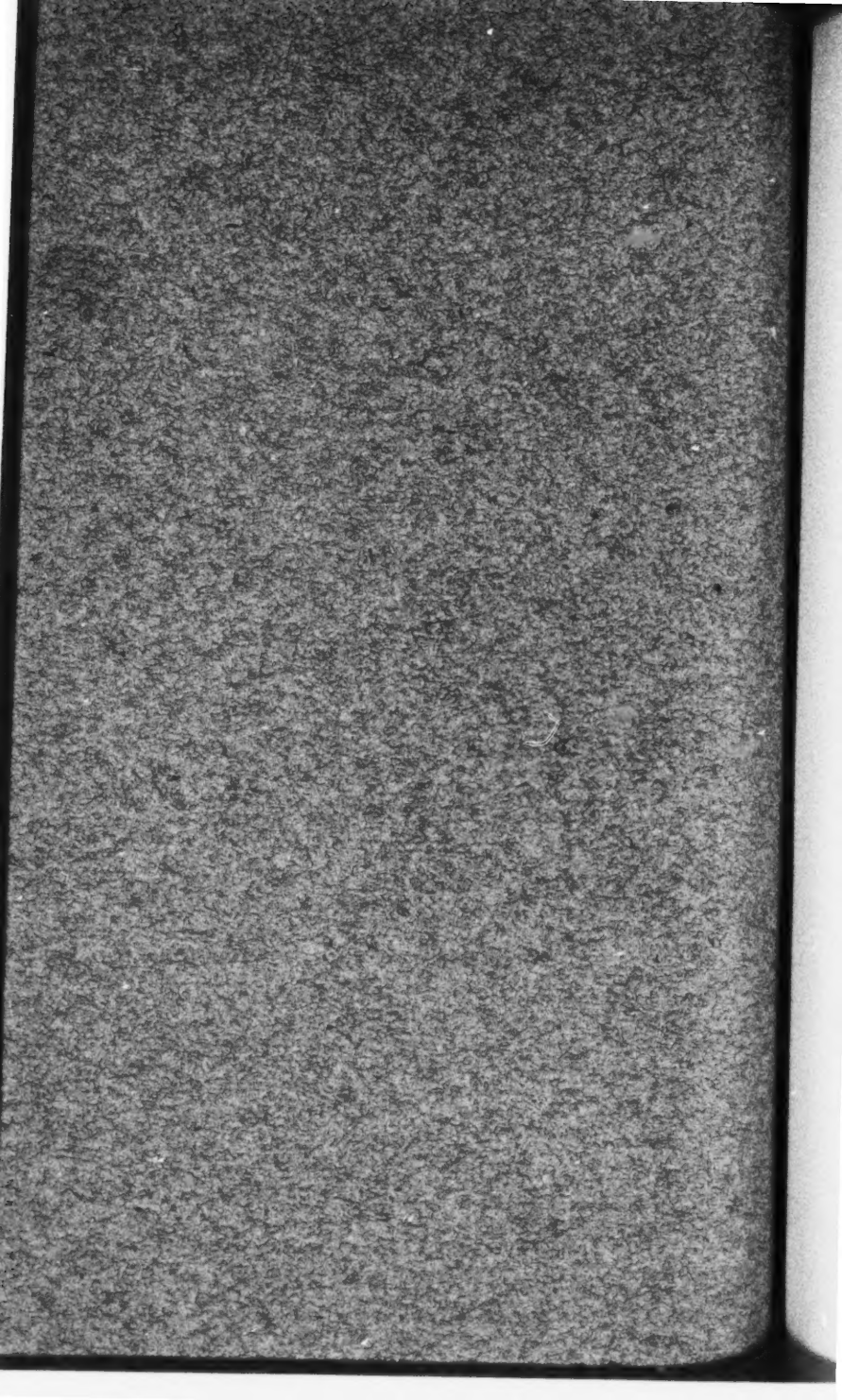
vs.

SEA GULL SPECIALTY COMPANY,

Appellee.

MOTION FOR CERTIORARI FOR DIMINUTION OF THE RECORD.

JAMES E. JOUNT,
RANDOLPH BARTON, JR.,
Counsel for Appellee.



Supreme Court of the United States.

October Term, 1913.

WILLIAM P. HEALY AND HEALY BOX CORPORATION, Appellants, *vs.* SEA GULL SPECIALTY COMPANY, Appellee.	No 689

APPEALED FROM THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF LOUISIANA.

Comes now the said Sea Gull Specialty Company, Appellee, by James E. Zunts and Randolph Barton, Jr., its counsel, and suggests diminution of the record in this cause, in this, to wit:

1. On the 12th day of August, 1913, the Appellants, who were complainants below, entered their appeal to this Honorable Court from the decree of the United States District Court for the Eastern District of Louisiana, dismissing the bill of complaint herein.

2. Thereafter, on the 13th day of August, 1913, the Appellants filed with the Clerk of the District Court of the United States for the Eastern District

of Louisiana their praecipe indicating the matter to be included in the record, in form and manner following, to wit:

To HENRY J. CARTER, ESQ.,

Clerk of District Court of the United States,
for the Eastern District of Louisiana.

Dear Sir:—

Please make transcript of appeal of the following named papers herein:

(1) Bill of Complaint, with verification and order thereon; Exhibits "A" and "B" filed therewith: viz, Copy of License Agreement and Notice of Termination thereof:

(2) Answer of Defendent and Replication thereto; and Defendant's 1st, 2nd and 3rd amended answers.

(3) Motion of Defendant to dismiss Bill for want of Jurisdiction, and order thereon;

(4) Articles of incorporation of defendant and certificate attached thereto, and note of evidence of defendant on trial thereof;

(5) Opinion and decree of Court;

(6) Petition for rehearing and order of Court denying same;

(7) Petition for appeal and order of Court thereon allowing same;

(8) Assignment of errors;

(9) Certificate of Judge of August 12th, 1913, certifying question of jurisdiction;

(10) Bond of Appeal and approval of Judge thereof:

(11) Praecipe for transcript and acknowledgment of service thereof; and,

(12) Certificate of Clerk to transcript of appeal.

(Signed) CHARLES ROSEN,
Solicitor for Complainants.

Service acknowledgment this 13th day of August, 1913.

(Signed) JAMES E. ZUNTS,
Solicitor for Defendants.

And thereafter on the 21st day of August, 1913, the Appellee, this petitioner, in accordance with Rule 8 of this Court, filed with said Clerk its praecipe in form and manner as follows, to wit:

DEFENDANT'S PRAECIPE.

To HENRY J. CARTER, ESQ.,
Clerk of District Court of the United States,
for the Eastern District of Louisiana.

Dear Sir:—

The Defendant in the above cause desires the following additional portions of the record incorporated into the transcript for appeal in the above cause in addition to those set forth in the praecipe filed by Solicitor for Complainants, to wit:

(1) Defendant's Exhibit B, C and D and number 1 to 20, both inclusive, which were filed with and attached to Defendant's answer.

(2) Defendant's document marked Black—1, designated as a statement for the months of November 11 to October 12 of box sales and royalty.

(3) Defendant's second amended answer and the order filing same.

(4) Defendant's motion to fix for trial hearing on the question of Defendant's citizenship; order fixing trial for April 19, 1913, and Marshal's return thereon.

(5) Defendant's first amended answer and order filing same.

(6) Note of evidence on behalf of plaintiffs and defendants and the trial on the merits filed March 20, 1913.

(7) Plaintiff's document, unmarked, transcript in the suit of Healy Box Corporation vs. Chicago Mill Co., District Court of Illinois.

(8) Defendant's document No. 59, Letter from Sea Gull Co. to Healy Co. of September 28, 1911, and reply from Healy Co. of September 30, 1911.

(9) Plaintiff's document, unmarked, transcript of suit of Healy Box Corporation vs. McLaughlin Co., filed December 20, 1911, District of Illinois.

(10) Plaintiff's document, unmarked, transcript of Healy Box Corporation vs. Kirk & Co., District Court of Illinois, filed December 20, 1911.

(10-a) Defendant's third amended answer and Exhibit X attached thereto, and order reopening case and filing answer and exhibit.

(10-b) Defendant's document 42, letter from Sea Gull Co. to Healy Co. of March 1, 1913.

(10-c) Defendant's document 43, statement of claim of Sea Gull Co. against Healy Co. of March 1, 1913.

(10-d) Defendant's document 44, claim of Sea Gull Co. covering loss of business from Reilly-Taylor Co., dated December 2nd, 1912.

(11) Plaintiff's document, unmarked transcript Healy Box Corporation vs. Armour Co., District Court of Illinois, filed December 30, 1911.

(12) Affidavit of Defendant's solicitor of April 17, 1913, and order as to plea of citizenship of Defendant.

(13) The testimony of the witness for Defendant Reilly, Jr., in the exact words of the witness.

(14) The testimony of the witness Douglas Black for Defendant in the exact words of the witness.

(15) The testimony of Defendant's witness Hooper Coyne in the exact words of the witness.

(16) Defendant's document No. 30, Certificate of Clerk of United States District Court, Peoria, Illinois, showing no suit filed by National Wire Bound Box Co. against Greenstreet Co.

(17) Defendant's document No. 31, transcript of suit of National Wire Bound Box Co. vs. Crawfordsville Co., United States District Court of Indiana.

(18) Defendant's document No. 32, transcript of National Wire Bound Box Co. vs. Peoria Packing Co., United States District Court, Peoria, Illinois.

(19) Defendant's document No. 33, letter of October 13, 1911, from Healy Co. to Sea Gull Co.

(21) Defendant's document No. 35, letter from Sea Gull Co. to Healy Co. of December 5, 1911.

(22) Defendant's document No. 36, letter from Healy Co. to Sea Gull Co. of August 11, 1911.

(23) Defendant's document No. 37, letter from Mr. Gayley, General Counsel for Healy Box Co., to Sea Gull Co. of December 13, 1911.

(24) Defendant's document No. 38, letter from Sea Gull Co. to Healy Co. of December 26, 1911.

(25) Defendant's document No. 39, letter from Sea Gull Co. to Healy Co. of December 29, 1911.

(26) Defendant's document No. 40 showing purchase by Reilly-Taylor Co. from Buckeye Veneer Co.

(27) Defendant's document No. 41, comparative statement of material and machinery inventories of Sea Gull Co.

(28) Defendant's praecipe for additional portions of record for transcript and acknowledgment of service thereof.

(Signed) JAMES E. ZUNTS,
Solicitor for Defendant.

Service of copy of the foregoing praecipe is hereby acknowledged this 21st day of August, 1913.

(Signed) CHARLES ROSEN,
Solicitor for Complainants.

3. Thereupon the Appellants objected to the inclusion by the Clerk of said Court in the record of a portion of the record set out in Defendant's praecipe, and said Clerk thereupon submitted said question to the Judge of said Court for instructions; whereupon said Judge, the Honorable Rufus E. Foster, did on the 21st day of August, 1913, enter his order as follows, to wit:

ORDER.

The above and foregoing Defendant's Praecipe having been submitted to the Court for directions to the Clerk in preparing the transcript of appeal herein,

The Court being of opinion that the same are unnecessary to a determination of the question of jurisdiction herein, and the Clerk is hereby directed to omit the portions of the record described in said Defendant's praecipe from the transcript of appeal herein.

(Signed) RUFUS E. FOSTER,

Judge of the United States District Court for the Eastern District of Louisiana.

August 21st, 1913.

In accordance with said order said Clerk did include in the transcript of the record, to this Honorable Court only the portions of the record referred to in the aforesaid praecipe of the Appellants.

4. Your petitioner now represents that by the rules of this Court, it was the privilege of the Appellee to insist upon the inclusion in the transcript of the record, of any and all portions of the record of the proceedings in the Court below that said Appellee might think proper or desirable to have inserted; that neither said Clerk nor the Judge of said District Court had the right or power to limit the record, or to exclude therefrom any portions thereof that the said Appellee might by its praecipe direct the Clerk to include. That not only is this the legal right of your petitioner under the rules of this Court, but that in fact a proper determination of the questions presented cannot be had unless there are before this Honorable Court not only those portions of the record enumerated in the praecipe of the Appellants, but the other portions of said proceedings mentioned in the praecipe of the Appellee. While it is contended by the Appellants that the appeal raises only a question of the jurisdiction of the Court below, your petitioner will insist that the entire case will be before this Honorable Court for its consideration and review, and that it will be within the province of the Court to pass upon, not only jurisdictional questions, but the merits of the cause. Furthermore, that even if the question before this Honorable Court is confined to the jurisdiction of the Court below, a proper determination of that question cannot be had unless the Court is fully advised of the precise questions raised in the proceedings. The Appellants contended, and will contend in this Court, that the question involved is purely one of patent rights, and that therefore any Court of the United States has jurisdiction thereof, regardless of the citizenship of the parties.

The Appellee, however, contended, and will contend, that the question involved is not one of patent, but of contract; that the question of infringement of patent was not and is not involved, because Defendant (Appellee) does not in any way dispute the validity of the patent asserted by the Plaintiffs (Appellants), but claims that no infringement has occurred or is occurring because the Defendant is operating under a license, which is still in force.

From this it will appear that the question before this Court will largely depend upon the determination by the Court whether the proceeding is one for infringement, or one for the cancellation of a license, that is to say, whether the issue is one of patent or one of contract, and in order to enable the Court properly to pass upon said questions, all the proceedings in the cause, and particularly the proceedings set out in Defendant's praecipe, should likewise be before the Court for consideration.

Wherefore the said Sea Gull Specialty Company, Appellee, moves this Honorable Court, under Rule 14, to award a writ of certiorari to be issued out of and under the Seal of this Honorable Court, and directed to the Honorable the Judge of the United States District Court for the Eastern District of Louisiana commanding him that, searching the record and proceedings in said cause, he forthwith certify to this Court those parts of the said record (enumerated in Defendant's praecipe) so omitted as aforesaid.

Your petitioner files herewith marked "Petitioner's Exhibit A", one duly certified copy of the papers and proceedings so referred to in Defendant's Praecipe, and it prays this Honorable Court, should it grant the writ of certeorari as herein prayed, to order that said certified copy shall stand as the return to the Court.

Counsel for Appellee.

City of Baltimore, } To wit:
State of Maryland, }

I, a Notary Public of the State of Maryland, in and for the City of Baltimore, do hereby certify that on this day of October in the year one thousand nine hundred and thirteen, personally appeared before me in said City of Baltimore, Hooper Coyne, President of the Sea Gull Specialty Company, and made oath in due form of law that the matters and facts set forth in the foregoing petition, are true as therein set forth, to the best of his knowledge and belief.

.....

Subscribed and Sworn to before me this day and year first hereinbefore mentioned.

As WITNESS my hand and Notarial Seal.

.....

Notary Public.

To CHARLES ROSEN, ESQ.,
Counsel for Appellants:

Please to take Notice that the aforegoing motion will be presented to the Supreme Court of the United States on the 17th day of November, 1913.

Counsel for Appellee.

Service of copy of foregoing motion is hereby admitted this day of 1913.

Counsel for Appellants.

Office Supreme Court, U. S.
FILED
NOV 17 1913
JAMES D. MAHER
CLERK

Supreme Court of the United States.

OCTOBER TERM, 1913.

No. [illegible]

WILLIAM P. HEALY

AND

HEALY BOX CORPORATION,

Appellants,

vs.

SEA GULL SPECIALTY COMPANY,

Appellee.

ANSWER TO MOTION FOR CERTIORARI FOR DIMINUTION OF THE RECORD.

CHARLES ROSEN,

Counsel for Appellants.

C. G. Burroughs, 70 to 76 Spring Street, New York

Supreme Court of the United States,

OCTOBER TERM, 1913.

WILLIAM P. HEALY and HEALY BOX CORPORATION, Appellants, vs. SEA GULL SPECIALTY COMPANY, Appellee.	No. 689.

Now come William P. Healy and Healy Box Corporation, Appellants, through their undersigned Counsel, and for answer to the petition of the Sea Gull Specialty Company, Appellee, say:

1st. They admit the allegations of the first paragraph of said petition.

2nd. They admit the allegations of the second paragraph of said petition and allege that the paragraph numbered (2) of the præcipe filed by the appellants with the Clerk of the District Court was amended on the original on file with said Clerk by consent of the Solicitors of the parties to the action so as to read as follows:

> "(2) Answer of Defendant and Replication thereto, and Defendant's First, Second and Third Amended Answers"

That the said pleadings are included in the transcript of appeal.

3rd. They admit the allegations of the third paragraph of said petition; except that, not the Clerk, but the appellants

and appellee, through their respective Solicitors, submitted the question of what should be included in the Record of Appeal to the Judge of said Court.

4th. They deny the allegations of the fourth paragraph of said petition.

They deny that " by the rules of this Court, it was the the privilege of the Appellee to insist upon the inclusion in the transcript of the record of any and all portions of the record of the proceedings in the Court below that said Appellee might think proper or desirable to have inserted " and that " neither the said Clerk nor the Judge of said District Court had the right or power to limit the record, or to exclude therefrom any portions thereof that the Appellee might by its præcipe direct the Clerk to include."

On the contrary, they aver that under the " Rules of Practice for the Courts of Equity of the United States ", promulgated by the Supreme Court of the United States, on November 4th, 1912, by Rule 75, it was specially provided, *as to all causes in Equity*, that " in case of appeal."

"*(c)* If any difference arise between the parties concerning directions as to the general contents of the record to be prepared on the appeal, such difference shall be submitted to the Court or Judge in conformity with the provisions of paragraph (*b*) of this Rule and shall be covered by the directions which the Court or Judge may give on the subject."

That such submission was made by the parties, through their respective Solicitors of record, and the Judge for the reasons by him stated directed the Clerk as aforesaid.

They aver that the Judge of the District Court dismissed their bill for want of jurisdiction; that he has so certified to this Court; that the appeal, under Section 238 of the Act of March 3rd, 1911, is confined solely to the question of jurisdiction; that the Judge dismissed the bill upon the pleadings, and upon the plea to the jurisdiction and the evidence in support thereof, which pleadings, plea to

the jurisdiction, and evidence upon said plea to the jurisdiction are included in said record of appeal.

That all the evidence and testimony set out in the præcipe of the appellee relate exclusively to the merits of the case and not to the question of jurisdiction. That the pleadings show on their face that the action is one for infringement. That they further show that the license under which the defendant was operating was terminated long prior to the date on which the action was commenced in accordance with the express agreement of the parties, and that there was no subsisting license. That such termination is admitted by the defendant but that the defendant claims that the license was improperly terminated and that the license is still subsisting. That the Court in dismissing the bill for lack of jurisdiction did not determine whether there was or was not any subsisting license and did not dismiss the bill because under the evidence he found that there was a subsisting license, but did so solely because he considered, in view of the non-diversity of citizenship, that there was no jurisdiction on the face of the bill and that because the bill referred to the license the jurisdiction was ousted, while if the bill had been silent in respect thereto the jurisdiction would have attached. The Court did not consider the evidence on the merits at all. That before the Court could dismiss the bill for want of jurisdiction it was its duty first to determine the fact that there was a subsisting license and that until such determination the Court had jurisdiction and could not dismiss the bill.

WHEREFORE, they pray that said petition be denied, for costs, and for general and equitable relief.

CHARLES ROSEN,

Counsel for Appellants.

STATE OF NEW YORK, }
County of New York, } TO WIT:

I, JOS. D. BAUCUS, a Notary Public, of the State of New York, in and for the County of New York, do hereby certify that on this 12th day of November, in the year One thousand nine hundred and thirteen, personally appeared before me in said County of New York, Howard S. Rodgers, president of Healy Box Corporation, and made oath in the due form of law, that the matters and facts set forth in the foregoing answer are true as therein set forth, to the best of his knowledge and belief.

HOWARD S. RODGERS.

Subscribed and Sworn to before me this day and year first above mentioned.

As witness my hand and notarial seal.

JOS. D. BAUCUS,
[SEAL.] Notary Public No. 187,
New York County.

Office Supreme Court, U.
FILED
OCT 8 1914
JAMES D. MAHER
CLERK

Supreme Court of the United States.

No. 253.

OCTOBER TERM, 1914.

WILLIAM P. HEALY and HEALY BOX CORPORATION,
Appellants,

versus

SEA GULL SPECIALTY COMPANY,
Appellee.

INDEX.

	PAGES
ASSIGNMENTS OF ERROR	4
POINTS OF ARGUMENT:	
(1) The suit is a case arising under the Patent Laws and the United States District Court had exclusive jurisdiction	5–9
(2) The United States District Court had jurisdiction notwithstanding the averments of the bill of complaint or answer as to the former agreement of license	10–31
(3) Before the Court could dismiss the bill for lack of jurisdiction it should have found that there was a subsisting valid license between the parties and until the Court so found the doctrine of Hartell *v.* Tilghman could not apply	31–36
STATEMENT OF CASE	1–4

LIST OF CASES.

PAGES

Atherton Machine Co. *v.* Atwood-Morrison Co., 102 F. 949.....12, 13, 24, 25, 26, 36, 37

Albright *v.* Teas, 106 U. S. 613..... 20

Dale Title Mfg. Co. *v.* Hyatt, 125 U. S. 47... 20

Elgin Wind Power & Pump Co. *v.* Nichols, 65 F. 215, 45 C. C. A. 49..... 12, 31

Everett *v.* Haulenbeek, 68 F. 911..... 26, 27, 37

Excelsior Wooden Pipe Co. *v.* Pacific Bridge Co., 185 U. S., 282..... 13, 17, 21, 22, 23, 24, 31, 36

Foster Federal Practice (4 Ed.) Vol. 1, Sec. 17, e, p. 140..... 5

Foster Hose Supporter Co. *v.* Taylor, 184 F. 71..... 15, 16, 17

Hammacher *v.* Wilson, 26 F. 239..... 13, 14

Hartell *v.* Tilghman, 99 U. S. 547..... 10, 11, 35

Henry *v.* Dick Co., 224 U. S. 1..... 7, 8

Heaton Peninsula Button Fastener Co. *v.* Eureka Specialty Co., 77 Fed. 288, 25 C. C. A. 267; 35 L. R. A. 728..... 32

Hopkins on Patents (ed. 1911, vol. 1, § 515, pp. 760–765)..... 31

Littlefield *v.* Perry, 21 Wall. 205..... 9

Marsh *v.* Nichols, Shepard & Co., 140 U. S. 344..... 20, 21

Pacific Contracting Co. *v.* Union Paving Contracting Co., 80 F. 737.....28, 29, 38, 39

Platt *v.* Fire Extinguisher Co., 59 F. 897.... 14, 15

Pratt *v.* Paris Gas Light Co., 168 U. S. 255.. 21

PAGES

Seibert Cylinder Oil-Cup Co. *v.* Manning, 32 F. 625..... ..... 33, 34, 35

The Fair *v.* Kohler Die & Specialty Co., 228 U. S. 22..... 6, 32, 33

Victor Talking Machine Co. *v.* The Fair, 123 F. 424..... 7

Walker on Patents, 4 Ed. Sec. 388, p. 328.. 29, 30, 31

Walter A. Wood Harvester Co. *v.* Minneapolis-Esterly Harvester Co., 61 F. 256.....27, 28, 37, 38

White *v.* Rankin, 144 U. S. 628.....17, 21, 22, 29, 35, 36

Wilson *v.* Sanford, 10 How. 99..... 11, 12, 22

Wooster *v.* Crane Co., 147 F. 515, 516..... 8, 9

Supreme Court of the United States.

No. 253.

OCTOBER TERM, 1914.

WILLIAM P. HEALY AND HEALY BOX CORPORATION,
Appellants,

versus

SEA GULL SPECIALTY COMPANY,
Appellee.

Appeal from the United States District Court for Eastern District of Louisiana.

BRIEF FOR APPELLANTS.

Statement of Case.

This is an appeal from a decree of the United States District Court for the Eastern District of Louisiana, dismissing the bill of complaint of appellants for want of jurisdiction.

The appeal comes up on a certificate of the District Judge to that effect, in accordance with Section 238 of "The Judicial Code" of March 3, 1911 (Rec. 66).

The bill was a suit for infringement of patents covering machines for making wire-bound boxes and improvements

in box-blanks, of which William P. Healy was the patentee and the Healy Box Corporation his licensee; and the bill alleged that the defendant was carrying on business at New Orleans in said District, where it was committing the acts of infringement by using the machines and making and selling the wire-bound boxes covered by the patents, and where the suit was accordingly, under the Statute, brought.

The bill alleged that William P. Healy was a citizen of Illinois; that the Healy Box Corporation was a corporation and citizen of New Jersey; and that the Sea Gull Company was a corporation and citizen of Maryland.

The bill prayed for an injunction, for an accounting, and for damages, in accordance with the Statute.

By way of anticipation, and to obtain certain injunctive relief, to which they conceived they were entitled, complainants further alleged that the defendant had been a sub-licensee of the Healy Box Corporation, but that, for refusal to pay the royalties and make the reports prescribed by its license, the license had, in accordance with its terms, been terminated some months before; and that a new license had been granted to another concern, the Globe Packing Box Company, but that, notwithstanding the termination of its license, the defendant continued to use the machines and sell the boxes covered by the patents, without paying any royalties or making any reports, and was threatening to interfere with the new sub-licensee, the Globe Packing Box Company; and an injunction was likwise prayed to enjoin the defendant from interfering with the business of complainants' new sub-licensee, the Globe Packing Box Company, and a preliminary injunction against defendant from committing further infringement (Rec. 1).

Upon the filing of the bill, a restraining order was issued restraining defendant from interfering with the Globe Packing Box Company and a rule issued to show cause

why the preliminary injunction should not issue as prayed for (Rec. 17).

Pending the hearing of this rule, defendant filed its answer to the bill on its merits (Rec. 31); replication was made thereto (Rec. 53), and the cause being at issue, under the new equity rules, the case was taken up on its merits and heard in open court, evidence adduced, and the cause submitted.

During the trial, two amended answers to the merits were also filed by defendant (Rec. 53, 54).

The answer set up the license which had been issued to defendant, averred that defendant had not paid the royalties nor made the monthly reports of boxes manufactured and sold because an outside infringing concern had invaded its territory, sold to one of its customers, and caused it damage; that complainants should have prevented this, but had not done so; and that, therefore, its license had been illegally terminated and was still in force (Rec. 31).

No traverse was made by defendant of the allegation that defendant was a citizen of Maryland.

After the submission of the cause, defendant filed another amended answer (Rec. 55), in which it averred that it was a corporation and citizen of New Jersey, and also filed a motion to dismiss the bill because there was no diversity of citizenship between itself and the Healy Box Corporation, and that the cause was not one arising under the patent laws, but under the general law, involving only the construction of a contract and cognizable only in the State courts (Rec. 56).

The District Judge reopened the case to enable defendant to prove its citizenship (Rec. 56), and upon proof of this fact, and without consideration of the merits, as shown in his opinion (Rec. 61) and in his direction to the Clerk refusing to allow the inclusion in the transcript of the evidence taken on the merits (Rec. 71), dismissed

the bill for want of jurisdiction (Rec. 63), for the reasons stated in his opinion handed down with the decree (Rec. 61).

A petition for rehearing having been denied (Rec. 64), complainants prosecuted this appeal and assigned the following

ASSIGNMENT OF ERRORS:

1st: That the Court erred in sustaining defendant's motion to dismiss complainants' bill for want of jurisdiction;

2nd: That the Court erred in not holding that this was a suit arising under the Patent Laws of the United States, and that this Court had jurisdiction thereof, and in not overruling said motion of defendant to dismiss complainants' bill of complaint for want of jurisdiction, and

3rd: That the Court erred in dismissing complainants' bill of complaint herein (Rec. 65).

The appeal was taken on August 12, 1913, and the transcript of appeal filed in this Court on August 27, 1913.

Thereafter, to wit, on December 9, 1913, complainant and appellant, Healy Box Corporation, was adjudged a bankrupt, and subsequently, by motion filed in this Court, Theodore F. Humphrey, Trustee of said Corporation, was made party plaintiff and appellant herein.

BRIEF OF ARGUMENT.

POINT I.

The suit is a case arising under the Patent Laws and the United States District Court had exclusive jurisdiction.

The sole question before this Court is the question of jurisdiction, and that depends on whether the bill presented a case arising under the patent laws of the United States.

If it did the District Court had jurisdiction, otherwise not.

The bill was a suit for infringement; and the prayer was for an injunction, an accounting, and damages, in accordance with the Statute.

That being true, the case was one arising under the patent laws; and the United States Court not only had jurisdiction, but exclusive jurisdiction; and the complainants could not have filed such a suit in the State courts.

Mr. Foster, in the last edition of his work on Federal Practice, says:

> "Where the bill prays an injunction against the infringement of a patent or copyright, the suit arises under the laws of the United States; although the defendant does not dispute the validity of the patent or copyright; but rests his defense upon a license or other contract giving him a right to use the same, or upon the contention that the complainant, who is a licensee, has forfeited his rights under the license, and although other relief is prayed; except when the complaint or defendant's answer clearly shows that the suit is in reality brought to enforce a contract."
>
> Foster, Federal Practice (4 Ed.) Vol. 1, Sec. 17, e, p. 140.

In the latest case upon the subject, this Court, speaking through Mr. Justice Holmes, said:

> "Of course the party who brings a suit is master to decide what law he will rely upon and therefore does determine whether he will bring a 'suit arising under' the patent or other law of the United States by his declaration or bill. That question cannot depend upon the answer, and accordingly jurisdiction cannot be conferred by the defence even when anticipated and replied to in the bill. Devine *v.* Los Angeles, 202 U. S. 313, 334. Conversely, when the plaintiff bases his cause of action upon an act of Congress jurisdiction cannot be defeated by a plea denying the merits of the claim. It might be defeated, no doubt, in a case depending on diversity of citizenship by a plea to the citizenship of parties. Interior Construction and Improvement Co. *v.* Gibney, 160 U. S. 217, 219. We are speaking of a case where jurisdiction is incident to a Federal Statutory cause of action. Jurisdiction is authority to decide the case either way. Unsuccessful as well as successful suits may be brought upon the act, and a decision that a patent is bad, whether on the facts or the law, is as binding as one that is good. See Fauntleroy *v.* Lum, 210 U. S. 230, 235. No doubt if it should appear that the plaintiff was not really relying upon the patent law for his alleged rights, or if the claim of right were frivolous, the case might be dismissed. In the former instance the suit would not really and substantially involve a controversy within the jurisdiction of the court, Excelsior Wooden Pipe Co. *v.* Pacific Bridge Co., 185 U. S. 282, 287, 288; and in the latter the jurisdiction would not be denied, except possibly in form, Deming *v.* Carlisle Packing Co., 226 U. S. 102, 109. But if the plaintiff really makes a substantial claim under an act of Congress there is jurisdiction whether the claim ultimately be held good or bad."
>
> The Fair *v.* Kohler Die and Specialty Co., 228 U. S. 22, 25.

In a late case, decided by the Circuit Court of Appeals for the Seventh Circuit, that Court said:

> "When a contract is made respecting a right under a patent, and the parties get into litigation, confusion has sometimes arisen over the question whether the cause of action originates in the contract or in the patent laws. The test is this: If the plaintiff is seeking a judgment for debt or damages, or a decree for cancellation or specific performance, on account of the defendant's breach of his covenants, the cause of action arises out of the contract; and, though the determination of the issue of breach or no breach may involve the interpretation of the patent and of the prior art, the insistence of the defendant that his device, according to the true construction of the patent and of the prior art, is not within the patent right granted him in the contract, cannot change the nature of the action. Standard Sewing Machine Co. *v.* Leslie, 118 Fed. 557, 55 C. C. A. 323. On the other hand, if the plaintiff is seeking a judgment for damages, or a decree for an injunction and an accounting, on account of the defendant's unauthorized use of the patent right in making or using or selling the device without license, the cause of action arises out of the patent laws; and, though the determination of the issue of infringement or no infringement may involve the interpretation of the contract, the insistence of the defendant that his act was within his rights under the contract, if properly construed, cannot change the nature of the action. We think the rule as stated is clearly deducible from the authorities."
>
> Victor Talking Machine Co. *v.* The Fair, 123 F. 424, 425.

In the case of Henry *v.* Dick Co., 224 U. S. 1, this Court, in an opinion handed down by Mr. Justice Lurton, said:

> "The remedy which the complainant seeks may often determine whether the suit is one arising under the patent law and cognizable only in a court

of the United States, or one upon a contract between the patentee and his assigns or licensees, and, therefore, cognizable only in a state court, unless there be diversity of citizenship. Thus, a bill to enforce a contract concerning the title to a patent, or an interest therein, or to declare a forfeiture of an assignment of an interest in a patent, or even a license to make, sell, or use the patented thing, or an action to recover damages for a breach of a contract relating to a patent or a license thereunder, would not, because of the character of remedy or relief sought, be a suit cognizable in a United States court, although the facts stated might have justified a suit for infringement in a United States court, if the complainant had elected that remedy. To sustain the contention that a breach of the implied agreement not to use the machine in question except in a particular way might have supported a suit to forfeit the license, or an action for damages upon the broken contract, counsel have cited and commented at great length upon the cases of Wilson *v.* Sandford, 10 How. 99; Dale Tile Mfg. Co. *v.* Hyatt, 125 U. S. 46; Albright *v.* Teas, 106 U. S. 613; Hartell *v.* Tilghman, 99 U. S. 547; Pratt *v.* Paris Gaslight & Coke Co., 168 U. S. 255; Keeler *v.* Standard Folding Bed Co., 157 U. S. 659, and Bement *v.* National Harrow Co., 186 U. S. 70; but an examination of these cases will disclose that while in some of them a suit for infringement might have been brought, the complainants had in fact brought suit to set aside or enforce contracts relating to patents, or licences under patents. They were, therefore, not 'Patent cases,' but cases determinable upon principles of general law."

Henry *v.* Dick Co., 224 U. S., 1, 14, 15.

In another late case, decided by the Circuit Court of Appeals for the Eighth Circuit, that Court, through Mr. Justice Van Devanter, said:

"A suit, the primary and controlling purpose of which is to enforce a right secured by the copyright laws which is being infringed by the defendants, is a

> suit under those laws, and within the jurisdiction of the Federal Circuit Courts, although it incidentally draws in question the validity, interpretation, and effect of a contract through which the complainant derives title. Littlefield *v.* Perry, 21 Wall. 205, 222, 22 L. Ed. 577; Excelsior Wooden Pipe Co. *v.* Pacific Bridge Co., 185 U. S. 282, 290-95; 22 Sup. Ct. 681, 46 L. Ed. 910; Atherton Mach. Co. *v.* Atwood-Morrison Co., 43 C. C. A. 72, 102 Fed. 949; Victor Talking Machine Co. *v.* The Fair, 61 C. C. A. 58, 123 Fed. 424. This is such a suit. The bill, like ordinary bills for infringement, sets forth the facts showing the validity of the copyrights, the title of the complainant, and the infringement of the defendants, and then prays for an injunction against a continuance of the infringement. The contract is set forth for the purpose of showing the complainant's title and not as the basis or foundation of the suit."
>
> Wooster *v.* Crane & Co., 147 F. 515, 516.

And in Littlefield *v.* Perry, 21 Wall. 205, 222, this Court said:

> "An action which raises a question of infringement is an action arising 'under the law,' and one who has the right to sue for the infringement may sue in the Circuit Court. Such a suit may involve the construction of a contract as well as the patent, but that will not oust the court of its jurisdiction. If the patent is involved it carries with it the whole case."

These authorities make it clear that the case presented by the bill of complainants was a case arising under the patent laws. Other questions might be involved in the suit, but the case presented was an action for infringement, the relief sought was for infringement, the defences open were those applicable to an action for infringement, and therefore the case was one arising under the patent laws, and as such exclusively cognizable in the United States Court.

POINT II.

The United States District Court had jurisdiction notwithstanding the averments in the bill of complaint or answer as to the former agreement of license.

From the opinion of the District Judge, which is in the record of appeal (Rec. 61), it will be seen that he was convinced that the view above expressed was correct, and that if the bill had been silent as to the former license agreement of defendant, the Court would have had jurisdiction, and this notwithstanding the answer might have set up the license; but that because the bill referred to it, there was no jurisdiction.

It is submitted that this is incorrect, and that the jurisdiction of the United States Court—an exclusive jurisdiction—is not determined by such a distinction.

Says the Judge:

> "It is indeed difficult to reconcile the jurisprudence, but the Supreme Court seems to have laid down the rule that where the bill itself is in the usual form for infringement and says nothing at all about a license having been granted, the fact that the license is relied upon by the defendant will not oust the jurisdiction of the Court." (Rec. 62.)

But because the bill did set up the granting and the termination of the license, he decided that the "case is one arising purely on contract and not under the patent laws."

The District Judge thought himself forced to this conclusion by the decision of this Court in Hartell *v.* Tilghman, 99 U. S. 547.

It is submitted that a careful analysis of that decision, and of the later decisions, will show that the learned Judge was in error.

In the Hartell case, all that the Court held was that where there was "*a subsisting* contract governing the rights of the parties in the use of the invention," the case was not one arising under the patent laws, because "relief in such a suit is founded *on the contract* and not on those laws." (Syllabus.)

This has been the uniform interpretation put on that decision ever since; and the original bill in that case was examined into in the later case of White *v.* Rankin, 144 U. S. 628, 636, and the precise allegations ascertained in confirmation of that view.

From the original bill in the Hartell case, it is seen, that the case presented was one of an existing oral contract, which the plaintiff undertook to treat as abandoned because the defendant would not take out a new license in writing containing different stipulations.

The Court said there was a subsisting license, *in esse,* and treated the suit as one to forfeit a contract; and went no further; and ever since the decision has been held limited to the facts of that case.

Mr. Justice Strong did not take part in the decision, and Mr. Justice Bradley rendered a dissenting opinion, in which Mr. Chief Justice Waite and Mr. Justice Swayne joined.

It is, of course, well settled that a suit arising out of a contract, to enforce it or to rescind it, is not a suit arising under the patent laws; and this is all that the Hartell case, properly considered, undertook to hold.

This is exactly what was held in the prior case of Wilson *v.* Sanford, 10 How. 99, on which the Hartell decision rested.

In the Wilson case, the Court said:

> "The object of the bill is to have this contract set aside and declared to be forfeited and the prayer is that 'the appellant's reinvestiture of title to the license granted to the appellees, by reason of the

> forfeiture of the contract, may be sanctioned by the Court,' and for an injunction. But the injunction he asks for is to be the consequence of the decree of the court sanctioning the forfeiture. He alleges no ground for an injunction, unless the contract is set aside."

That the Hartell case was not meant to be extended further than its particular state of facts warranted is shown by the decision of Elgin Wind Power & Pump Co. *v.* Nichols, 65 F. 215, 217, 45 C. C. A. 49, in which the Circuit Court of Appeals for the Seventh Circuit, with Mr. Justice Harlan presiding as Circuit Justice, he being one of the Judges who had decided the Hartell case, said:

> 'The objection was raised at the hearing, by counsel, for the appellant, that under the ruling in Hartell *v.* Tilghman, 99 U. S. 547, the case is one of which a federal court cannot take jurisdiction—the parties being of the same State, and the pleas being to the effect that the appellant had a license to use the inventions covered by the plaintiff's letters patent, the validity of which is not denied. The bill in this case is in the customary form for the infringement of letters patent, and the proposition contended for necessarily implies that the jurisdiction invoked by the filing of such a bill—of which, it is to be observed, no court except a federal court can take cognizance—may be defeated by a plea of license which admits the use and validity of the patent sued on. If the decision in Hartell *v.* Tilghman ever meant that much, it has been explained and limited by later decisions, which leave no doubt of the federal jurisdiction in cases like the present. White *v.* Rankin, 144 U. S. 628, 12 Sup. Ct. 768; Manufacturing Co. *v.* Hyatt, 125 U. S. 46, 8 Sup. Ct. 756; Marsh *v.* Nichols, Shepard & Co. 140 U. S. 344, 11 Sup. Ct. 798."

So in a later case decided by the Circuit Court of Appeals for the Third Circuit, Atherton Machine Co. *v.* Atwood Morrison Co., 102 F. 949 (which is mentioned by

this Court as "one of the most recent and satisfactory" in the case of Excelsior Wooden Pipe Co. *v.* Pacific Bridge Co., 185 U. S. 282, 294), the Court says that the Hartell case "goes to the very verge of the doctrine invoked by the appellee" (p. 954), and that "neither the Supreme Court nor the other federal tribunals have shown a disposition to press the case further than it necessarily goes." (p. 955.)

In the present case, the suit is not upon a contract, nor arising out of a contract.

It is not a suit for forfeiture, because the prior contract had long before in accordance with its terms been terminated.

The case is therefore such a case as was presented in Hammacher *v.* Wilson, 26 Fed. 239, in which the bill charged infringement, the defendant justified under a license, and the plaintiff replied that the license was revoked "in accordance with the provisions of the license, and on account of the failure by respondent to perform his covenants contained therein"; and the Court said:

> "The question, however, which we have to decide is not whether we shall now declare the license forfeited, but whether it has already been forfeited by the acts of the parties, pursuant to the provisions contained therein. The respondent agreed that if he failed to perform his engagements, the license might be forfeited by a written notice served on him. We see no reason why such an agreement may not be made and enforced. White *v.* Lee, *supra.* He has failed to perform his engagements, the notice has been served on him, and we think, on the service of that notice, the license ceased to protect the respondent."

In that case, too, the Hartell case was invoked to defeat the jurisdiction of the Court, but the Court said:

> "The respondent denies the jurisdiction of the court. He points out that the question whether or

not the license has been forfeited is a question arising under the license itself, and not under the patent law, and that this question must be determined for the complainants before it can be determined that he unlawfully infringes the patent; and he claims that this court has no jurisdiction to try that question in a suit for infringement. We find no authority to support this position. It is undoubtedly the rule that where there appears to be a subsisting license between the complainant and the respondent, the jurisdiction of the court under the patent law will not be extended to cover a suit to enforce the terms of the license, or to forfeit the license on the ground that the terms thereof have been violated. Hartell *v.* Tilghman, 99 U. S. 547. But we think that where a suit is brought for infringement, and the existence of a license is alleged by the respondent, and denied by the complainant, it is competent for the court to determine whether, at the time of the filing of the bill, there was a subsisting license between the parties. The Court, in Hartell *v.* Tilghman, found as a fact that there was a subsisting license, and on that ground dismissed the bill. The same rule has been followed in other cases. Cohn *v.* National Rubber Co., 15 O. G. 829; Kelly *v.* Porter, 17 Fed. Rep. 519; White *v.* Lee, 3 Fed. Rep. 222, 4 Fed. Rep. 916, and 14 Fed. Rep. 789.

"We proceed, therefore, to consider whether there was a subsisting license between the parties at the date of the filing of this bill."

Hammacher *v.* Wilson, 26 F. 239, 240.

And the Court found the license was no longer in force and gave a decree for an injunction and an accounting as prayed for.

Similarly, in Platt *v.* Fire Extinguisher Mfg. Co., 59 F. 897, 900, the Circuit Court of Appeals for the Third Circuit, under similar circumstances, said:

"The court below was not called on to declare a forfeiture of the Platt license. The question was

> whether the license had already been forfeited by the acts of the parties pursuant to the terms and conditions contained therein. The defendant agreed that if he failed to perform his covenants the license might be forfeited by a written notice served on him, or his successor, and this was done. His subsequent tender of money in payment of royalties, and a promise to perform his covenants, could not avail to remove the forfeiture without the consent of the licensor and the other licensees. Almost identically the same question was presented in Hammacher *v.* Wilson, 26 Fed. 239, in which the court held that a license which had been forfeited by the agreement of the parties would not protect an infringer, although he might offer to pay whatever was due for royalties."

And in a case on which the defendant here chiefly relied to persuade the District Judge, when the case was submitted to him on the merits, to *restore* its license, upon its paying only what it was willing to admit it owed for back royalties, less the damages it claimed, the case of Foster Hose Supporter Co. *v.* Taylor, 184 F. 71, decided by the Circuit Court of Appeals, for the Second Circuit, that Court, after referring to the cases of Hammacher *v.* Wilson, 26 F. 239, and Platt *v.* Fire Extinguisher Mfg. Co., 59 F. 900, both of which like it contained provisions for the cancellation of the license, saying:

> "We can go with these authorities so far as to hold that, when the contract provides the manner in which the licensor may forfeit the license, he need not apply for assistance to any court, but not to say that in such a case a court of equity is without power to relieve against the forfeiture at the instance of the licensee,"

itself decided that the case, exactly like ours in respect to the jurisdictional question involved, was "*one for infringement, pure and simple,*" and that "the Circuit

Court had jurisdiction, not only *by virtue of the subject matter,* but by virtue of the citizenship of the parties."

In that case, the Court said:

> "This is a bill in equity asking for an injunction, accounting, and damages for infringement of letters patent No. 638,540, for improvements in hose supporters. The bill by wayof anticipation alleged that the defandant had operated under the patent by virtue of a license which was duly terminated May 9, 1907. The answer admitted the validity of the patent, and the use of it by the defendant, but denied that the license had been duly terminated."

And after quoting from the license and reciting the termination of the license, the Court upon the jurisdictional question urged by defendant, said:

> "Great importance is attached by the defendant to two decisions of the Supreme Court which we think have little application to the question whether the court below could grant the defendant relief against the cancellation of the license, viz.: Wilson *v.* Sandford, 10 How. 99, 13 L. Ed. 344, and Hartell *v.* Tilghman, 99 U. S. 547, 25 L. Ed. 357. Both cases went off on the ground of lack of jurisdiction in the Circuit Court. In the Wilson case the bill asked that the license to the defendant be set aside and an injunction and accounting awarded. The validity of the patent and the use of it by the defendant were admitted. The court held that the bill was primarily for equitable relief by way of setting aside the license and secondarily for infringement. The amount involved being less than $2,000, the Circuit Court was held to be without jurisdiction of the primary cause of action.
>
> "In the Hartell case the bill alleged that the complainant and defendant had entered into a contract of license orally which the defendant refused to execute in writing, and prayed for an injunction and accounting. The defendant admitted the validity of the patent and the use of it, but denied the terms of the agreement as stated in the bill. The right to an

injunction depending on the terms of the license, and they being in dispute and admittedly containing no provision for cancellation, the bill was primarily for the equitable relief, and not for infringement. Both parties being citizens of Pennsylvania, the Circuit Court was therefore without jurisdiction. It was indeed stated in the opinion of the Court that the complainant had not the right to determine the contract of his own accord, and this was evidently true because there was no pretense that it contained any provision as to cancellation."

These decisions make it plain that where there is no subsisting license, but that the license has been terminated in accordance with its provisions, the action is "one for infringement, pure and simple" and the United States Court has jurisdiction.

That the Hartell case is limited to cases where there is a "subsisting" contract, is clearly demonstrated by this Court in the case of White *v.* Rankin, 144 U. S. 628, where it is fully analyzed and the original bill, taken from the records, carefully examined; and, after a full review of that and other cases, the Court showed that it was only where the suit was to "set aside a contract" or to "enforce it" that the action was one under the general law, and not under the patent laws.

The cases are likewise fully considered and the same distinction made in Excelsior Wooden Pipe Co. *vs.* Pacific Bridge Co., 185 U. S. 282, and the Court said "the mere fact that the suit may involve the existence of the license does not oust the court of jurisdiction of a suit for the infringement of a patent." (p. 295.)

Upon principle, the rule laid down by the District Judge cannot be correct.

The jurisdiction of the United States courts cannot depend upon such an artificial distinction as would be involved in such a construction, that is, that if the com-

plainant sets forth the granting of the license and its termination, the court has not jurisdiction, but that if the complaint is silent as to the license, the court has jurisdiction, although the answer sets up the license, and although the relief prayed for by the plaintiff is the same in both cases. In other words, that if the plaintiff tells but half the truth, he remains in court, but if he tells the whole truth he is penalized for so doing and goes out of court.

Either the United States courts have jurisdiction or they have not; and that jurisdiction cannot be made to depend upon whether the facts with reference to a license is averred in the bill or in the answer.

The jurisdiction depends upon the nature of the cause of action and the remedy sought; and if the action be, as is this one, for infringement, and the remedy sought, as is this, the remedy applicable, under the Statute, to such an action, that is, for an injunction, accounting, and damages, the action is "one for infringement, pure and simple," notwithstanding that other allegations are made by way of anticipation or otherwise, necessarily or unnecessarily.

The jurisdiction of the United States courts is an exclusive jurisdiction; and the consequence of this decision is to deny plaintiffs a forum. They cannot bring this suit in the State courts, because those courts have no jurisdiction to entertain a suit for infringement, and to grant its attendant relief by way of injunction, accounting, and damages; and, in order to state themselves in the State court, the plaintiffs would have to state themselves out of it.

They do not wish to sue for royalties under the contract, because they do not recognize the contract as in existence, and do not wish to claim under the contract.

They do not wish to sue for specific performance of the

contract, because they have themselves terminated the contract in accordance with the agreement by which the defendant bound itself.

They do not wish to sue for the revocation of the contract, and thereafter bring a suit for infringement, because that is not necessary in the light of the above mentioned decisions, and should not be necessary, because the parties have agreed to the mode of termination in a precise manner as they had and ought to have the right to do and which was one of the considerations between the parties in making the contract.

They wish to bring this suit and none other; yet if they do, no court, State or Federal, would have jurisdiction of their cause, if the construction of the lower court is to hold.

In bringing their suit as for infringement, of course, plaintiffs lay themselves open to all defences applicable to such a suit; and for that reason it is an infringement suit; and that sort of suit can be brought only in the United States courts.

If such a suit were brought in the State court, a denial of the patent could not be entertained by the State court; and the suit itself, being for infringement, could not, as stated, be entertained, because these are matters within the exclusive jurisdiction of the United States courts.

Yet, the whole basis of the decision in this cause is that the United States court has not jurisdiction, because the State court has jurisdiction; not, be it observed, because neither court has jurisdiction, but because the State court has jurisdiction.

But the State court has not jurisdiction; and if it has not, why not? Because the suit is an infringement suit, plainly so declared by the pleader, and upon which he must stand or fall; and being an infringement suit, cognizable only in the United States courts.

In other words, is not the true principle this? That where the suit is one for infringement, it is a case arising out of the patent laws, and the United States courts have jurisdiction, although incidentally the case may involve the question of the construction of a contract. But where the suit is one upon a contract, whether to enforce it or to rescind it, whether for royalties under it or for damages for breach of it, it is a suit arising out of the contract, is a suit upon or under the contract, involves only the general law, and cognizable in the State courts.

Such a principle furnishes an exact line of demarcation, and makes simple the determination of the rights of the parties; and such a principle underlies and explains all the cases of this and the other courts.

For example, the case of Albright *v.* Teas, 106 U. S. 613, was a suit "*for moneys* alleged to be due to the complainant under a contract whereby certain letters-patent granted to him were transferred to the defendant."

It was held that the suit was not one arising under the patent laws of the United States, and could not be removed from the State to the Federal court.

That decision itself cited Wilson *v.* Sandford as one in which "the object of the bill was to set aside a contract."

In Dale Tile Mfg. Co. *v.* Hyatt, 125 U. S. 47, the action was *to recover royalties* under the contract, and the State court was held to have jurisdiction.

The Court interpreted all the decisions, including the Wilson-Sandford and Hartell-Tilghman cases, as holding that a bill "to enforce a contract for the use of the patent right, or to set aside such a contract," was not within the jurisdiction of the United States court.

March *v.* Nichols, Shepard & Co., 140 U. S. 344, was a suit to "enforce specific performance of a contract" to compel an inventor to transfer an interest in the patent

to plaintiff; and the court held this to be a matter of general law and not a case arising under the patent law.

That decision also explains all the cases in the light of the foregoing construction.

To the same effect is Pratt *v.* Paris Gas Light & Coke Co., 168 U. S. 255, which was an action in assumpsit upon the common counts to recover the stipulated price for manufacturing and setting up an apparatus for the manufacture of water gas.

The same analysis is made of the cases in White *v.* Rankin, 144 U. S. 628, and Excelsior Wooden Pipe Co. *v.* Pacific Bridge Co., 185 U. S. 282.

In the case of White *v.* Rankin, 144 U. S. 628, this Court upheld an action for infringement, notwithstanding an agreement in writing set up by the defendant to assign to him an interest in the patent on certain conditions which he alleged he had performed; and reversed a decree which had dismissed the bill for want of jurisdiction.

The Court fully considered the Hartell case, and referred to the original bill in the records of this Court, to ascertain its precise limits; and after a full consideration said: "That (the dismissal of the bill in the Hartell case) was done by this Court in view of the averments of the bill, and on consideration of the evidence in the case, as to the verbal agreement made between the parties, and the transaction between them which took place under it." (p. 638.)

In its analysis of the Hartell case, the Court, among other things said:

> "In Hartell *vs.* Tilghman, *supra,* the head-note of the report is that 'a suit between citizens of the same State cannot be sustained in the Circuit Court as arising under the patent laws of the United States, when the defendant admits the validity and his use of the plaintiff's letters patent, and a subsisting con-

tract is shown governing the rights of the parties in the use of the invention.' But in the case now before the court, the Circuit Court did not find that there was a subsisting, valid contract governing the rights of the defendants in the use of the invention. The Circuit Court found nothing as to the existence or validity of the contract, decree or deed, mentioned in the stipulation. The stipulation provides that, at the hearing, the contract, complaint, answer, decree and deed, set forth in the stipulation, may be offered in evidence, subject to such objections as might be urged against the originals thereof. The stipulation further states that the defendants do not admit that anything is due to the plaintiff from Thompson, and that they do admit that nothing had been paid by Thompson to the plaintiff under the decree of the state court of August 26th, 1884, and since the making thereof. All these matters and questions ought to have been adjudicated by the Circuit Court before it could find ground to determine whether or not it should dismiss the bill. Until it had so adjudicated those questions, the decision in the case of Hartell *v.* Tilghman could not apply."

White *v.* Rankin, 144 U. S. 628, 636.

And the Court showed that the case of Wilson *v.* Sandford, 10 How. 99, was "to set aside a contract"; that the case of Albright *v.* Teas, 106 U. S. 613, was "to recover royalties under the contract"; that in the cases of Dale Tile Mfg. Co. *v.* Hyatt, 125 U. S. 46, and Marsh *v.* Nichols, 140 U. S. 344, and the other cases referred to, the suits were "to enforce a contract for the use of a patent" or to "set it aside" for non-compliance with its terms.

White *v.* Rankin, 144 U. S., 628, 638-9.

In Excelsior W. P. Co. *v.* Pacific Bridge Co., 185 U. S. 282, the Court again lays down the rule as well settled that "if the suit be brought *to enforce or set aside a contract,* though such contract be connected with a patent, it is not a suit under the patent laws"; and shows by a

clear analysis of all the cases that the cases in which jurisdiction was denied were all upon the contract or to set it aside. (Pages 285-286.)

And the Court says:

"Before deciding that these allegations oust the jurisdiction of the Court it must at least appear that the plaintiff has another remedy by an action in a State court." (p. 289.)

The Court further said:

> "The natural and practically the only remedy, as it seems to us, was for the plaintiff to assert his title under the license and to prosecute the defendants as infringers. In doing this he does what every plaintiff is bound to do, namely, set forth his title either as patentee, assignee or licensee, and thereby puts that title in issue. The defendant is at liberty in such a case to deny the title of the plaintiff by declaring that the license no longer exists, but in our opinion this does not make it a suit upon the license or contract, but it still remains a suit for the infringement of a patent, the only question being as to the validity of plaintiff's title. There can be no doubt whatever that if the plaintiff sued some third person for an infringement of his patent, the defendant might attack the validity of his license in the same way, but it would not oust the jurisdiction of the court. Why should it do so in this case?"

The Court refused to extend the doctrine of the Hartell case and quoted the language of the case of White *v.* Rankin, 144 U. S., 628, as follows:

> "All these matters and questions ought to have been adjudicated by the Circuit Court before it could find ground to determine whether or not it should dismiss the bill. Until it had so adjudicated those questions the decision in the case of Hartell *v.* Tilghman could not apply."

And the Court concluded by saying, "We hold in this case that the mere fact that the suit may involve the ex-

istence of the license does not oust the court of jurisdiction of a suit for the infringement of a patent." (p. 295.)

In the Excelsior case, the Court referred to the case of Atherton Machine Co. *v.* Atwood-Morrison Co., 102 Fed. 949, as one of the "most recent and satisfactory," in which, says the Court, "it was broadly held that a suit in which the relief sought is an injunction and recovery of damages for the infringement of a patent is one arising under the patent laws of the United States, although it incidentally involves a determination of the question of the ownership of the patent, which was claimed by both complainant and defendant under separate assignments from the patentee. All the cases cited herein are reviewed and the jurisdiction sustained." (185 U. S. 282, 294.)

As this Court said in the Excelsior case:

> "The difficulty with the defendant's position in the case under consideration is that it apparently leaves the plaintiff without an adequate remedy. Defendant has broken no express covenant of the contract, since it has made no covenant. It has simply ignored the existence of the contract and granted a license to another party. It is difficult to see what remedy is available to the plaintiff in a State court that would not involve the right of the defendant to use the patent. In other words, it would be an ordinary suit for infringement in which the Federal courts would alone have jurisdiction. Whether it sued at law or in equity, its damages would be such as are usual in cases of infringement, and the only injunction it could obtain would be against the further use of the invention." (185 U. S. 282, 294.)

The Atherton case (*supra*) reviews at great length all the decisions on the subject and shows that the true line of demarcation is in accordance with the above principle, and that this is the principle of the decisions of this Court and of the other tribunals.

As to the Hartell case, it says that that case "goes to the very verge of the doctrine invoked by the appellee," shows that there was a *subsisting* oral contract, as to the terms of which the parties differed, and that the Court, according to the opinion of Mr. Justice Miller, "considered the suit to be one for the recission of the contract set out in the bill."

And in the Atherton case, the Court referring to the decisions above discussed, said:

> "In these cases the jurisdictional limits laid down by the Supreme Court are easily discerned, except, perhaps in the case of Hartell *v.* Tilghman, which, as we have said, went to the verge of the jurisdictional line, and neither the Supreme Court nor the other federal tribunals have shown a disposition to press that case further than it necessarily goes. In the case of White *v.* Rankin, 144 U. S., 628, 12 Sup. Ct. 768, 36 L. Ed. 569, the Supreme Court, after quoting the syllabus of Hartell *v.* Tilghman, to the effect that 'a subsisting contract is shown, governing the rights of the parties in the use of the invention,' proceed to point out, by a recital of the facts of the case, that the complainant, having set up a contract between himself and the defendant in regard to the use of the patented machines, was seeking to show a breach of that contract, and a consequent forfeiture, which he asks the Court to sanction; the efficient existence of the contract being the only matter in controversy. In the other decisions of the Supreme Court above referred to, and in which jurisdiction was declined, the *lis mota* was clearly a contract between complainant and defendant, which was sought to be either enforced or set aside, and could not in any sense be said to arise under the patent or copyright laws of the United States."

The Court, in that case, further said:

> "In the present case the appellant, who was the complainant below, properly and necessarily made

good its standing in Court by stating its title to the patent in suit as derived by assignment from the inventor and patentee. As seen in the summary of the statement of the bill heretofore made, the assignment from the inventor was after he had made application, and before patent issued, as was also the intermediate assignment to the quilling-machine company, which was assignor to complainant. These assignments show a *prima facie* title in complainant, but they are all provided for and regulated by the patent laws of the United States, and any question as to the title claimed under them is a question arising under those laws. See Sections 4895-4898 Rev. St. After this necessary and preliminary statement, the complainant proceeds to the gravamen of the bill, which is the averment that the original assignor and inventor was manufacturing in violation of complainant's title to the monopoly, and praying for the usual relief,—of accounting and injunction. It might have stopped there, and waited for the defendant to raise the defense which it thought it probable it would make, to-wit, that the original inventor, after the issuance of the letters patent to him, notwithstanding the previous assignments already referred to, had assigned, or attempted to assign, the letters patent to the defendant. It, however, took another course that was clearly open to it to take, and that was to state the defense of this pretended assignment by way of anticipation in the bill, in order that it might make special answer thereto, and thus avoid the disadvantageous position in which it would be placed by the forty-fifth equity rule, by which special replications are prohibited. If the bill sets forth a case within the jurisdiction of the court, the jurisdiction cannot be ousted by the anticipation and denial of possible defenses that may or may not be made."

In the case of Everett *v.* Haulenbeek, 68 F. 911, the Court said:

"Question is made whether this court has jurisdiction touching the license; but the suit is not

brought upon the license, nor against it, but for infringement; and when the license is set up as an answer to allegations of infringement the existence of the license is involved, and must be tried in trying the question of infringement. Hammacher *v.* Wilson, 26 Fed. 241."

Similarly, in the case of Walter A. Wood Harvester Co. *v.* Minneapolis-Esterly Harvester Co. 61 Fed. 256, in which the license was set out in the bill, but was averred to be personal and unassignable, and the defendant claimed that this was a matter of interpretation and denied the jurisdiction of the court, the Court held:

"The relief sought in this suit is not to enforce or set aside a license contract. It is virtually charged in the bill of complaint that the defendant has no right to manufacture in this state under the Appleby and other patents, and is infringing the rights of complainant. All that is to be determined by the Court depends upon and arises out of the patent laws. If the license of November 7, 1879, is personal to the licensees therein named, the manufacture by the defendant under the letters patent is unlawful, for it has no authority or right so to do. The existence of the right to manufacture being directly involved, the controversy grows out of the patent laws, and this court has jurisdiction. Defendant cites the case of Hartell *v.* Tilghman, 99 U. S. 547, in support of its position, but I do not think it is in point. In that case it was conceded that the parties, who were citizens of the same State, entered into a parol license, and defendant operated under it for some months. Complainant then undertook to rescind the license and sue for infringement, because defendant would not sign a written license, which complainant insisted, but defendant denied, was a part of the parol license. The court held that, under the circumstances of the case, the license could not be rescinded in that manner, and that there was still a subsisting license which must govern the rights of

the parties, the subject-matter of which was not cognizable in a federal court. The question of infringement was not involved in that case."

So, in Pacific Contracting Co. *v.* Union Paving Contracting Co., 80 Fed. 737:

"It is objected, on the order to show cause, that the court has no jurisdiction of the case, in view of the fact that the rights of the Southern California Bituminous Paving Company to use the invention under its alleged license are involved. This is substantially the only question involved in this proceeding. The general rule is that, where there appears to be a subsisting license between the complainant and the defendant, the jurisdiction of the court, under the patent laws, will not be extended to cover a suit to enforce the terms of the license, on the ground that the terms thereof have been violated, Hartell *v.* Tilghman, 99 U. S. 547; Albright *v.* Teas, 106 U. S. 613, 1 Sup. Ct. 550; Manufacturing Co. *v.* Hyatt, 125 U. S. 46, 8 Sup. Ct. 756; Marsh *v.* Nichols, Shepard & Co., 140 U. S. 344, 11 Sup. Ct. 798; Wade *v.* Lawder, 165 U. S. 624, 17 Sup. Ct. 425. But, on the other hand, it is well settled that where a suit is brought for infringement, and the existence of a license is alleged by respondent and denied by the complainant, it is competent for the court to determine whether, at the time of the filing of the bill, there was a subsisting license between the parties. The determination of this fact is, obviously, necessary in order to ascertain whether or not the court has jurisdiction of the suit for an infringement. White *v.* Rankin, 144 U. S. 628, 12 Sup. Ct. 768; Hammacher *v.* Wilson, 26 Fed. 239; Oil-Cup Co. *v.* Manning, 32 Fed. 625. In other words, the claim by a defendant that he has been using an invention under a license is a defense to the charge of infringement, showing the lawful right to use the invention alleged to have been infringed, and if supported by the facts is a ground for the dismissal of the bill. From the averments of the affidavit it is apparent that the Southern California Bituminous Paving

> Company held at one time a license from the complainant covering the use of the invention alleged to have been infringed, but I am unable to determine whether or not this license existed at the time the bill was filed; that is whether or not it has been revoked, upon due notice given by the complainant, for good cause, according to the terms of the license. Until this fact is finally determined, the court has jurisdiction of the suit; for, as stated in White *v.* Rankin, *supra,* 'the subject-matter of the action, as set forth in the bill, gave the court jurisdiction, and exclusive jurisdiction to try it.' "

The Court in that case took jurisdiction and referred the case to a master to ascertain

(1) Whether the license was still subsisting when the acts of infringement complained of are alleged to have occurred; and,

(2) If no such license was subsisting, whether the acts of infringement complained of took place, and to what extent the complainant had been damaged.

80 F. 737, 739.

It is true that in the case of White *v.* Rankin, 144 U. S. 628, the Court, in reciting the facts of that case, did say that no mention was made in the bill of the agreement, but the case did not turn upon that point; the principle of the decision being much broader than that, and resting upon the true distinction that where the suit is for infringement the case arises under the patent laws, no matter whether a license or other agreement is referred to in the bill or the answer or any other plea, but where the suit is to enforce or set aside the contract, the case arises only under the general law.

In his work on Patents, Mr. Walker has this to say about the Hartell case:

> "Actions brought to enforce contracts between private parties, relevant to patent rights, are not actions arising under the patent laws of the United

States; and therefore are not cognizable as such in the United States courts. And actions to set aside such contracts fall in the same category. These rules of law are well established, and are unchallenged. But a majority of the Supreme Court have gone further, and in spite of the vigorous dissent from the minority, has held another doctrine which is as follows: Where a complainant files a bill, in which he states a patent right, and states its use by the defendant; and, in a charging part, recites the particulars of an alleged license claimed by the defendant to be a justification of that use, and avers that there is no such license in existence, and prays for an injunction and an account of infringer's profits; and where the defendant files an answer, admitting the patent right, and admitting the use, and defending only on the ground of the alleged license; then the action is not one arising under the patent laws of the United States. But there is no warrant for pressing that conclusion any further than it necessarily goes; no warrant for applying its doctrine to any case which lacks any of the elements upon which it was based. And neither the Supreme Court nor the other Federal tribunals have shown a disposition so to do.

"Where a complainant files a bill in which he states a patent right, and states its use by the defendant, and says nothing about any contract or license, and prays for an injunction and an account of infringer's profits; and where the defendant thereupon files an answer in which he does not traverse any part of the bill, but pleads, by way of confession and avoidance, that he has a license which covers his use of the patent, it will not do to apply the rule in Hartell *v.* Tilghman. If that rule were applied to such a case, it would result in a dismissal of the bill for want of jurisdiction. Then if the complainant should file a new bill in a State Court, precisely like the other, and if the defendant should thereupon file an answer saying nothing about any license, but denying the validity of the patent, that suit would also have to be dismissed, because it would present no controversy except one touching the validity of a

patent for an invention. Any infringer of a patent could thus defeat every suit based on his infringement, by simply making one defence in one court and another defence in another court, no matter how fictitious both of those defences might be. A consequence so unjust could not be tolerated; and the law is now settled that where a plaintiff decides to sue a defendant as a naked infringer, the Federal courts have jurisdiction, and that such jurisdiction cannot be ousted by any answer which the defendant may interpose."

Walker on Patents, 4th Edition, Sec. 388, p. 328.

While the author of the work refers correctly to the injustice of such a construction, as this Court itself said in the Excelsior case *(supra)*, he interprets the Hartell case as going further than its particular facts warrant; and we believe the true principle to be as above set forth. It ought not to, and cannot, make any difference whether the facts concerning the license or other agreement are set forth in the bill, answer, traverse, or any other plea.

In a very recent work, Hopkins on Patents (ed. 1911, Vol. I, §515, pp. 760 to 765 inclusive), in which this subject is discussed, the author, after referring to the majority opinion in Hartell *v.* Tilghman and the dissenting opinion therein, and showing how the later jurisprudence has restricted that decision within the precise facts of that case, quotes the language of the Circuit Court of Appeals for the Seventh Circuit Court, with Mr. Justice Harlan presiding as Circuit Judge, he being one of the concurring Judges in the Hartell case, as follows in the case of Elgin Wind Power & Pump Co. *v.* Nicholls, 65 F. 215, 217; 45 C. C. A. 49:

"The bill in this case is in the customary form for infringement of letters patent, and the proposition contended for necessarily implies that the jurisdic-

tion invoked by the filing of such bill—of which, it is to be remembered, no court except a Federal court can take cognizance—may be defeated by a plea of license which admits the use and validity of the patent sued on.

"If the discussion in Hartell *v.* Tilghman ever meant that much, it has been explained and limited by later decisions which leave no doubt of the federal jurisdiction in cases like the present."

And the author further says:

"Where the plaintiff brings suit for infringement in the federal courts, it is immaterial that the pleading and proofs disclose the fact that there has been a breach of contract on the part of the defendant, in addition to his act of infringement."

And he quotes Judge Lurton in the case of Heaton Peninsula Button-Fastener Company *v.* Eureka Specialty Company, 77 Fed. 288, 291, 25 C. C. A. 267, 35 L. R. A. 728, as follows:

"The remedy of the complainant may be a double one; for liability may rest either upon the broken contract or for the tortious use of the invention."

We do not believe that this Court will hold to a construction, which would appear too artificial on which to base the jurisdiction of the United States Courts, and attendant with such anomalous results, as that if the plaintiff keeps silent about the pre-existing, but terminated license, he remains in court, but if he mentions it, he goes out, though in both cases he brings an action for infringement and prays for that relief alone.

The jurisdiction of the courts cannot depend upon such a distinction; and the rule laid down by this Court, through Mr. Justice Holmes, in the case of Fair *v.* Kohler Die Co., 228 U. S. 22, applicable not only to patent and copyright cases, but to all cases alike, is, and must be, the true rule; that "a party who brings a suit is master to

decide what law he will rely upon and therefore does determine whether he will bring 'a suit arising under' the patent or other law of the United States by his declaration or bill"; that "question cannot depend upon the answer, and accordingly the jurisdiction cannot be conferred by the defence even when anticipated and replied to in the bill"; and that "if the plaintiff really makes a substantial claim under an act of Congress there is jurisdiction whether the claim ultimately be held good or bad."

In Seibert Cylinder Oil-Cup Co. *v.* Manning, and others, 32 F. 625, the bill "besides setting out such facts as are ordinarily alleged, showing title and acts of infringement by the defendants, *sets out also, by way of anticipation of the defense,*" that the defendants were selling the articles complained of and pretended that they had such right to sell because of a certain agreement with the Detroit Lubricator Company, and pretended that said agreement was in force whereas it was not, because of non-compliance with its terms, wherefore the agreement had been annulled and rescinded prior to the suit.

The defendants set up that the agreement was still in force, because "the Detroit Lubricator Co. had been released from its covenants to make returns and pay royalties because complainants had previously violated a condition of the agreement on its part not to authorize by license the use of its patents outside of the New England States," and moved to dismiss the bill, upon the ground that the suit was not one arising under the patent laws; because the suit involved merely the interpretation of an agreement and determination of the rights of the parties thereunder.

But the Court held otherwise, and said that the action was not to prevent the violation of the patentee's rights *under a contract,* but is "the ordinary action to prevent

the violation of a right secured by a patent which the defendant seeks to defeat by a collateral covenant; and until the Supreme Court shall otherwise decide, the doctrine of Hartell *v.* Tilghman should not be extended to a case like the present."

The Court further said:

> "Certainly, jurisdiction is not defeated because the complainant alleges, in addition to the ordinary averments entitling him to the relief sought, such facts, by way of anticipation, as are essential to enable him to controvert the facts which the defendant may present by a plea or an answer";

And further:

> "If this Court has no jurisdiction of the controversy, the complainant would seem to be without remedy, because by the decisions of the State court of last resort it is held that in such a case he can and must resort to this Court, and that the State courts have no jurisdiction."

Such is the case here.

For two years, or more, according to the allegations of the bill, the defendant now continues to use complainant's patents without having paid the royalties it agreed to pay; and this, notwithstanding the termination of its license, in accordance with its agreement. After this termination, plaintiffs executed an agreement of license to another licensee. The only suit they can bring to afford adequate relief is a suit for infringement, and an injunction, for an accounting, and for damages. Whether they can maintain their suit, is another question; whether the Court shall hold the license still in force will depend upon the facts; but if it is not in force, as we allege that it is not, certainly the United States Courts have jurisdiction —and they alone have jurisdiction—of a suit, as is ours, for infringement.

To affirm the decree puts plaintiffs in an impossible position, where they can obtain no relief.

Such a construction ought not to be adopted unless it is inevitable.

It is not inevitable, nor is it in accord with the true principle announced by this Court.

POINT III.

Before the Court could dismiss the bill for lack of jurisdiction it should have found that there was a subsisting valid license between the parties and until the Court so found the doctrine of Hartell *v.* Tilghman could not apply.

In the case of Hartell *v.* Tilghman, the Court found as a fact that there was a subsisting license and on that ground dismissed the bill.

Hartell *v.* Tilghman, 99 U. S. 547.

In White *v.* Rankin, 144 U. S. 628, 636, the Court, among other things, said:

> "In Hartell *v.* Tilghman, *supra,* the head note of the report is that 'a suit between citizens of the same State cannot be sustained in the Circuit Court as arising under the patent laws of the United States when the defendant admits the validity and his use of the plaintiff's letters patent, and a subsisting contract is shown governing the rights of the parties in the use of the invention.' But in the case now before the Court the Circuit Court did not find that there was a subsisting valid contract governing the rights of the defendants in the use of the invention.

> The Circuit Court found nothing as to the existence or validity of the contract, decree or deed mentioned in the stipulation. The stipulation provides that at the hearing, the contract, complaint, answer, decree and deed set forth in the stipulation may be offered in evidence subject to such objections as might be urged against the originals thereof. The stipulation further states that the defendants do not admit that anything is due to the plaintiff from Thompson, and that they do admit that nothing had been paid by Thompson to the plaintiff under the decree of the State Court of August 26th, 1884, and since the making thereof. All these matters and questions ought to have been adjudicated by the Circuit Court before it can find ground to determine whether or not it should dismiss the bill. Until it had so adjudicated those questions, the decision in the case of Hartell *v.* Tilghman could not apply."

In Excelsior Wood Pipe Co. *v.* Pacific Bridge Co., 185 U. S. 282, the Court refused to extend the doctrine of the Hartell case and decided that before the Court below could dismiss the bill it must determine whether there was or was not a subsisting license and quoted the language of the case of White *v.* Rankin, 144 U. S. 628, as follows:

> "All these matters and questions ought to have been adjudicated by the Circuit Court before it could find ground to determine whether or not it should dismiss the bill. Until it had so adjudicated those questions, the decision in the case of Hartell *v.* Tilghman could not apply."

In the case of Atherton Machine Co. *v.* Atwood-Morrison Co., 102 Fed. 949, the Court said:

> "In these cases the jurisdictional limits laid down by the Supreme Court are easily discerned, except perhaps in the case of Hartell *v.* Tilghman, which as we have said went to the verge of the jurisdictional line, and neither the Supreme Court nor the other

federal tribunals have shown a disposition to press that case further than it necessarily goes. In the case of White *v.* Rankin, 144 U. S. 628, 12 Sup. Ct. 768, 36 L. Ed. 569, the Supreme Court, after quoting the syllabus of Hartell *v.* Tilghman, to the effect that 'a subsisting contract is shown governing the rights of the parties in the use of the invention,' proceed to point out by a recital of the facts of the case that the complainant having set up a contract between himself and the defendant in regard to the use of the patented machines was seeking to show a breach of that contract and a consequent forfeiture which he asks the Court to sanction; the efficient existence of the contract being the only matter in controversy. In the other decisions of the Supreme Court above referred to and in which jurisdiction was declined, the *lis mota* was clearly a contract between complainant and defendant which was sought to be either enforced or set aside and could not in any sense be said to arise under the patent or copyright laws of the United States."

In the case of Everett *v.* Haulenbeek, 68 Fed. 911, the Court said:

> "Question is made whether this Court has jurisdiction touching the license; but the suit is not brought upon the license nor against it but for infringement and when the license is set up as an answer to allegations of infringement the existence of the license is involved, and must be tried in trying the question of infringement. Hammacher *v.* Wilson, 26 Fed. 241."

In Walter A. Wood Harvester Co. *v.* Minneapolis-Esterly Harvester Co., 61 Fed. 256, the Court said:

> "The relief sought in this suit is not to enforce or set aside a license contract. It is virtually charged in the bill of complaint that the defendant has no right to manufacture in this State under the Appleby and other patents and is infringing the rights of complainant. All that is to be determined by the Court depends upon and arises out of

the patent laws. If the license of November 7th, 1879, is personal to the licensees therein named, the manufacture by the defendant under the letters patent is unlawful, for it has no authority or right so to do. The existence of the right to manufacture being directly involved, the controversy grows out of the patent laws and this Court has jurisdiction. Defendant cites the case of Hartell *v.* Tilghman, 99 U. S. 547, in support of its position, but I do not think it is in point. In that case it was conceded that the parties, who were citizens of the same State, entered into a parol license and defendant operated under it for some months. Complainant then undertook to rescind the license and sue for infringement because defendant would not sign a written license which complainant insisted, but defendant denied, was a part of the parol license. The Court held that under the circumstances of the case the license could not be rescinded in that manner and that there was still a subsisting license which must govern the rights of the parties, the subject matter of which was not cognizable in a Federal court. The question of infringement was not involved in that case."

In the case of Pacific Contracting Co. *v.* Union Paving Contracting Co., 80 Fed. 737, the Court said:

"It is objected, on the order to show cause, that the court has no jurisdiction of the case, in view of the fact that the rights of the Southern California Bituminous Paving Company to use the invention under its alleged license are involved. This is substantially the only question involved in this proceeding. The general rule is that, where there appears to be a subsisting license between the complainant and the defendant, the jurisdiction of the court, under the patent laws, will not be extended to cover a suit to enforce the terms of the license, on the ground that the terms thereof have been violated. Hartell *v.* Tilghman, 99 U. S. 547; Albright *v.* Teas, 106 U. S. 613, 1 Sup. Ct. 550; Manufacturing Co. *v.* Hyatt, 125 U. S. 46, 8 Sup. Ct. 756; Marsh *v.* Nichols, Shepard & Co., 140 U. S. 344, 11 Sup. Ct. 798; Wade *v.* Law-

der, 165 U. S. 624, 17 Sup. Ct. 425. But, on the other hand, it is well settled that where a suit is brought for infringement, and the existence of a license is alleged by respondent and denied by the complainant, it is competent for the court to determine whether, at the time of the filing of the bill, there was a subsisting license between the parties. The determination of this fact is, obviously, necessary in order to ascertain whether or not the court has jurisdiction of the suit for an infringement. White *v.* Rankin, 144 U. S. 628, 12 Sup. Ct. 768; Hammacher *v.* Wilson, 26 Fed. 239; Oil-Cup Co. *v.* Manning, 32 Fed. 625. In other words, the claim by a defendant that he has been using an invention under a license is a defense to the charge of infringement showing the lawful right to use the invention alleged to have been infringed, and if supported by the facts is a ground for the dismissal of the bill. From the averments of the affidavit it is apparent that the Southern California Bituminous Paving Company held at one time a license from the complainant covering the use of the invention alleged to have been infringed, but I am unable to determine whether or not this license existed at the time the bill was filed; that is, whether or not it has been revoked, upon due notice given by the complainant, for good cause, according to the terms of the license. Until this fact is finally determined, the court has jurisdiction of the suit; for, as stated in White *v.* Rankin, *supra*, 'the subject matter of the action, as set forth in the bill, gave the court jurisdiction, and exclusive jurisdiction to try it.''

The Court in that case took jurisdiction and referred the case to a master to ascertain

(1) Whether the license was still subsisting when the acts of infringement complained of are alleged to have occurred; and

(2) If no such license was subsisting, whether the acts of infringement complained of took place, and to what extent the complainant had been damaged.

80 Fed. 737, 739.

From the above cases, it is seen that before the Court can dismiss the bill for lack of jurisdiction, it is incumbent upon it to determine whether there was a subsisting license between the parties. That until such a determination is made by the Court, the Court has jurisdiction and cannot dismiss the bill for lack of jurisdiction.

In the case at bar the Court did not ascertain whether there was a subsisting license and did not dismiss the bill after it had found that there was such a subsisting license. Until the Court so found in this case that there was a subsisting license between the parties it had no power to dismiss the bill, and the subject matter of the action as set forth in the bill gave the Court jurisdiction and exclusive jurisdiction to try it.

POINT IV.

The appellants therefore pray that the decree of the District Court may be reversed and the case remanded for a hearing on its merits.

Respectfully submitted,

CHARLES ROSEN,
Solicitor for Appellants.

HENRY B. GAYLEY,
Of Counsel.

Supreme Court of the United States

October Term, 1974

No. 73-1

William P. Healy and the Healy Sea Corporations, Appellants

vs.

Sea Gulf Specialty Company

Brief for Appellee

JAMES E. ZONIS
RANDOLPH BARTON, JR.
Solicitors for Appellee

SUBJECT INDEX.

I.

AS TO TEST OF "CASES ARISING UNDER PATENT LAWS."

	Page
Cyc. 11th Vol., p. 845, 855, and cases cited	3
Dale Tile Mfg. Co. *vs.* Hyatt, 125 U. S. 47	17
Elgin Wind etc. Co. *vs.* Nicholas, 65 Fed. 215	
Excelsior Wooden Pipe Co. *vs.* Pacific, 185 U. S. 282	17
Foster "Fed. Prac.," 4th Ed., Vol I, p. 140	14
Foster Hose Sup. Co. *vs.* Taylor, 184 Fed. 71	17
Hammacher *vs.* Wilson, 28 Fed. p. 239	17
Hartell *vs.* Tilghman, 99 U. S. p. 553	3
Henry *vs.* Dick Co., 234 U. S. p. 15	4, 13, 15
Interior Construction Co. *vs.* Gibney, 160 U. S. 217	3
Kempe *vs.* Kennedy, 5 Cranch (U. S.) p. 173	3
March *vs.* Nichols, 140 U. S. 344	17
Phelp *vs.* Nock, 17 Wal. p. 460	12
Platt *vs.* Fire Exting. Mfg. Co., 59 Fed. p. 897	17
Pratt *vs.* Paris Gas Light Co., 168 U. S. 255	17
The Fair etc. *vs.* Kohler etc. Co., 228 U. S. p. 25	2, 4, 5, 14, 19
Victor Talking Machine Co. *vs.* The Fair, 123 Fed. 424	15
Walker "Patents," 4th Ed., p. 328	17
White *vs.* Rankin, 144 U. S. 628	17
Wilson *vs.* Sanford, 10 Howard 99	3
Wooster *vs.* Crane & Co., 147 Fed. p. 515	2, 16

II.

AS TO NECESSITY OF DECREE REVOKING THE LICENSE.

	Page
American Grafofone Co. *vs.* Victor etc Machine Co., 188 Fed Fed. 431	23
Excelsior Wooden Pipe Co. *vs.* Pacific, 185 U. S. p. 290	21
Hartell *vs.* Tilghman, 99 U. S. p. 547	21
Hanifen *vs.* Lupton, 95 Fed. 465	29
Henry *vs.* Dick Co., 224 U. S. 15	22
Standard Dental Mfg. Co. *vs.* National Tooth Co., 95 Fed. 291,	22

Supreme Court of the United States

OCTOBER TERM, 1914

No. 253

WILLIAM P. HEALY AND HEALY BOX CORPORATION,
Appellants.

versus

THE SEA GULL SPECIALTY COMPANY,
Appellee.

Appeal from the United States District Court for Eastern District of Louisiana.

BRIEF FOR APPELLEE.

In this brief, for convenience, we shall as far as possible, follow the order in which the case is discussed in the brief filed on behalf of Appellants.

POINT I.

The suit is not a case arising under the Patent Laws and therefore the United States District Court had no jurisdiction.

The question presented by the appeal is whether the record discloses a "case arising under the Patent Laws of the United States." The lower court held that it did not, and hence dismissed the bill, no other ground of jurisdiction in the Federal Courts being suggested.

Similar questions have repeatedly been before the Courts, and Appellants in their brief have collated and cited many of these cases. From these they correctly deduce the principle that "the jurisdiction depends upon the nature of the cause of action and the remedy sought." The difficulty however, is not to state the principle, but to apply it to the facts of the specific case under consideration. It is simply begging the question to assume, as Appellants do throughout their brief, that "the action is one for infringement," therefore is "a case arising under the Patent Laws," and consequently the Federal Court has jurisdiction. Whether or not the suit is in reality "one for infringement," or whether, notwithstanding that infringement is alleged and asked to be enjoined, the cause is in fact one *arising out of a contract*, is the very basic question to be determined, and this depends not upon what plaintiffs, or in fact either party, chooses to call the case, but upon what it in fact is.

Nor is it alone sufficient to give the Federal Court jurisdiction either that a patent right should be involved, or that incidentally the purpose of the action may be to protect a right arising under the Patent Laws; but it must further appear that the case does "really and substantially involve a *controversy*" arising under these laws, and that the "*primary and controlling purpose* of the suit is to enforce rights arising" under them.

The Fair *vs.* Kohler etc. Co., 228 U. S. p. 25.

Wooster *vs.* Crane & Co., 147 Fed. p. 515.

Of course all such suits involve a patent. Of course, also the effect, as well as the ultimate purpose of the relief asked, will therefore be to protect and enforce a right arising under the Patent Laws. But in many of the cases it is apparent that the real purpose of the cause is to enforce a *contract right* which in turn relates to rights arising under the Patent Laws; and where such is the case, the Federal Courts have uniformly disclaimed jurisdiction.

The reason for this is manifest. The Federal Courts are courts of limited jurisdiction, possessing none except such as is given them expressly or by necessary implication.

Kempe vs. Kennedy and cases cited, 5 Cranch, (U. S.) 173, 11 Cyc. p. 845.

The presumption is always *against* the jurisdiction and it never attaches until it affirmatively appears.

Interior Construction Co. *vs.* Gibney, 160 U. S. 217, 11 Cyc. p. 855.

The jurisdiction that the Federal Courts possess over "cases arising under the patent laws of the United States" is a *special* jurisdiction,—limited strictly to that class of cases which call for the application of the Patent Laws *as such*. Many years ago Chief Justice Taney made this clear in the following language used by him in the case of Wilson *vs.* Sanford, 10 Howard, 99, and cited at length in the case of Hartell *vs.* Tilghman, 99 U. S. p. 553.

"The peculiar privilege given to this class of cases (patent) was intended to secure uniformity of decision in the construction of the Act of Congress in relation to patents. Now, the dispute in this case does not arise under any Act of Congress nor does the decision depend upon the construction of any law in relation to patents. It arises out of the contract stated in the bill, and there is no Act of Congress providing for or regulating contracts of this kind."

That is to say, the right of a litigant to bring in the Federal Courts a "cause arising under the patent laws," irrespective of the citizenship of the parties or the amount involved, is a "peculiar privilege," and the purpose in granting it is, "to secure uniformity of decision in the construction of the Act of Congress in relation to patents." Except therefore, when it is necessary for the Federal Courts to take jurisdiction in order to insure uniformity of decision in the construction of the Patent Laws, the special privilege thus granted to persons claiming rights under patents does not exist.

As Chief Justice Taney explains, it was never intended to extend the jurisdiction of the Federal Courts to the whole field of contract law, merely because a patent right happened to be the subject of the contract, or because the decision *on the contract* would incidentally, or even directly, affect

the rights given by the patent. So far as contracts relating to patents are concerned, the principles by which these are governed are the same in "patent cases" as in any other case. No "uniformity of decision in the construction of the Act of Congress relating to patents" could be hoped for by empowering the Federal Courts to pass upon these questions insofar as they were primarily merely questions of contract. But it was intended that when it sat in patent cases the Federal Court should sit as a patent court, administering the Patent Law as a specialist.

Hence, if no special application or construction of the Patent Laws is involved, then no cause "arisiing under the Patent Laws" exists, and therefore no such case as, by virtue of a "peculiar privilege" is cognizable by the Federal Courts and by them alone.

If the question is at all a doubtful one, however, an almost unfailing test of the jurisdiction is found in the *remedy* that would be applicable.

It often happens that a litigant, having a grievance involving a patent right, has different remedies open to him. It may be in his power either to assert the enforcement of rights *arising directly from the patent*, and thus invoke the special jurisdiction of the Federal Court; or to assert instead, rights primarily arising out of a *contract relating* to the patent. That is to say, he may be in a position either to sue for infringement, basing his claim directly on the rights given by the patent, or to protect his patent rights by enforcing his contract rights.

See Henry *vs.* Dick, 224 U. S. p. 15.

In any event he is "master to decide what law he will rely upon," and if he brings a case which on its face indicates that he invokes the Patent Laws alone, he presents a cause of which *prima facie*, the Federal Courts alone have jurisdiction.

The Fair *vs.* Kohler etc. Co., 228 U. S. p. 25.

But if it appears, either on the face of his complaint or at any time in the course of the proceeding, that the law that will control is not primarily the "Act of Congress in

relation to patents," but ordinary contract law, then he will be remitted for his remedy to such tribunal as would have been the proper one to dispose of these questions, irrespective of the existence of the patent right.

If the Court will permit the use of the comparison, the position of a litigant having a grievance concerning a patent is like that of one complaining of some physical ailment. His remedy may be surgical or it may be medical, or the trouble may be of a kind that can be treated either surgically or medically. He is "master to decide" whether primarily he will invoke the surgeon's aid or the physician's. If he elects to apply to the surgeon, and presents a case which on its face, appears to be a surgical case, the surgeon undertakes his treatment. But if he goes to the surgeon and shows when he unfolds his complaint that he in fact wishes or that it is necessary to reach the trouble by medical means, the surgeon turns him over to the doctor. In each case, the ultimate object to be obtained, the cure of the complaint, is the same, but the treatment, the *remedy*, is different.

In the same way, in patent cases, "the remedy which the complainant seeks may often determine whether the suit is one arising under the patent law."

Henry *vs.* Dick, 224 U. S. p. 14.

And if he elects a remedy which involves the interpretation or enforcement of a contract, he must go to some other court than a "patent" court, even though had he chosen to do so, he could have invoked instead the remedy which is based purely upon the fact that he holds a patent, irrespective of any rights he may also have as result of a contract.

IDEM.

Appellants seem to admit these principles to be the true ones,—indeed the very cases which they so copiously cite, so demonstrate. But they insist that the bill shows that they *have* elected to invoke their rights under the Patent Laws alone, and make no claim upon or ask any relief based upon any contract right. Their contention is summarized in their brief as follows: (p. 18).

"They do not wish to sue for royalties under the contract, because they do not recognize the contract as in existence, and do not wish to claim under the contract.

They do not wish to sue for specific performance of the contract, because they have themselves terminated the contract in accordance with the agreement by which the defendant bound itself.

They do not wish to sue for the revocation of the contract and thereafter bring a suit for infringement, because that is not necessary in the light of the above mentioned decisions, and should not be necessary, because the parties have agreed to the mode of termination in a precise manner as they had and ought to have the right to do, and which was one of the considerations between the parties in making the contract.

They wish to bring this suit and none other; yet if they do, no court, State or Federal, would have jurisdiction of their cause, if the construction of the lower court is to hold."

It may be true that plaintiffs "do not wish" to do these various things. The question however is not what they wish to do, but what they actually have done and are doing; and that can be determined only by an examination of their bill. It is submitted that the analysis which we shall now make of it will clearly show that so far from ignoring any alleged contract rights as patentees, they distinctly assert the continued existence of a contract and their right to relief in accordance with the *terms of the contract*.— a relief moreover, which they would be entitled to only by *virtue of the contract*. That no real question of Patent Law is involved in any way whatever, but merely ordinary, though somewhat voluminous, questions of contract law, and that so far from being "left without a forum" by the Federal court refusing to go beyond its function of a patent court, the substantial remedy they seek can with entire propriety be granted by any State court which would have jurisdiction of any similar controversy of which the subject was not a patent right, but property rights of other character.

Analysis of the Bill of Complaint.

The bill of complaint, after a lengthy recital of the history of certain patents which are involved in the suit, and the manner in which the plaintiffs or their assignors became entitled to rights therein, alleges the making with the defendant, on March 19, 1908, of a Sub-license agreement giving the right to use these inventions in certain territory. The terms of the agreement or contract are set out in much detail in the bill, and in addition a copy of the contract is filed, marked "Exhibit A" (Record p. 17-18), and made an integral part of the bill (Record p. 8).

The bill then says, among other things, that the patents in question relate to machines for making wire-bound box blanks and to improvements in box-blanks capable of being made upon these machines; also (record p. 8) that defendant received a sub-license to use these patents, and in accordance with the terms of said agreement was supplied as licensee with three of the box-blank machines, paying for each $3,500.00, the exclusive use and possession of which machines the defendant wasto have during the continuance of the sub-license and subject to the terms and conditions thereof.

That (page 8) by the terms of said sub-license the "Sea Gull Specialty Company covenanted and agreed to pay to the Babcock Company for the exclusive use and possession of said machines, subject to all the terms and conditions of the sub-license, and for the right to sell the wire-bound boxes and other articles made by means of the patented machinery, a sum equal to 7½% of the amount of the gross sales of all wire-bound boxes and other articles manufactured," &c. Further (page 10) that in case the license shall become null and void *from any of the causes named in the license agreement*, the sub-licensee (defendant) shall immediately deliver to the licensee (plaintiff) all said machines in its possession or control. The bill further alleges that the defendant accepted and used said three machines, which (page 11) were subsequently somewhat altered and for a considerable length of time continued to make the

reports and pay the royalties provided for by the license agreement. That on several occasions the defendant was in default, but remedied the default within the thirty days' grace allowed it. That finally, however, it allowed the default to continue past the prescribed period, whereupon due notice of forfeiture of the right to use the machines was given by the plaintiffs, but that notwithstanding (page 12) "said defendant Sea Gull Specialty Company, *after the termination* of said sub-license as hereinafter set forth, *has continued to use and operate said three box-blank machines*, embodying the inventions, &c., and *thereby* has infringed each and both of said letters patent and the exclusive rights of your orators therein and thereunder." Further that, (page 13) the plaintiffs have demanded the delivery of the said machines, which demand the defendant has neglected and refused to comply with.

The bill then alleges that after declaring the defendant's license to be forfeited as aforesaid, plaintiffs made a new license agreement with the Globe Packing Box Company, and that this Company has accordingly installed certain of the machines and is making boxes on them. (Rec. page 14).

It is then further alleged (paragraph 23, p. 13) that by the terms of the sub-license a certain measure of damages in case of infringement was agreed upon. The bill does not however recite very fully the provisions of the license agreement, and we cite from the copy of the agreement filed as part of the bill, its exact terms rather than the abbreviated reference thereto in the bill.

"It is expressly agreed that if for any other reasons or under any of the authorities or conditions in this license set forth, the *license hereby granted shall be revoked* and annulled, or the Sub-licensee shall withdraw therefrom and *notwithstanding the termination of the license*, the Sub-licensee shall infringe on any of the patents of the Licensor covered by this license, *then* in case of any suit for infringement brought by the Licensor or the Licensee against the Sub-licensee, the measure of recovery in case of a verdict or decree for the Licensor or Licensee shall be the same

as the license fee hereinafter agreed to be paid by the Sub-licensee as the royalty for the use of any or all of the licensor's patented inventions." (Record, p. 28, foot, Italics ours).

The bill then asks (page 14) an injunction against infringement; an injunction against interfering with the Globe Packing Box Co.; that the defendant be *required to surrender and deliver forthwith said three machines*, and that it also be required to account and to pay as damages *the amount provided in the sub-license agreement*, to wit, 7½% of the amount of gross sales, concluding with the general prayer that the damages be increased threefold.

In their brief, Appellants insist that the reference to the license agreement was purely anticipatory and merely for the purpose of denying that such an agreement is any longer in force or bears upon the case at all, and then assume that the only way in which it can be brought into the case is by taking into account the answer filed by the defendant, the right to do which, so far as the jurisdictional question is concerned, they emphatically dispute.

Without at this time discussing the question how far the answer of the defendant can be considered, but confining ourselves purely to the allegations of the bill, we think it will be apparent from the extracts of the bill that we have quoted, that the reference to the license agreement was *not* "purely anticipatory," but that the relief which the plaintiffs are seeking is based directly upon the provisions of the license agreement, and that but for the existence of this agreement no such relief as is asked, could be asked or granted. In other words, it is insisted that these facts are apparent:

(*a*) The alleged infringement consists in the continued use of three specific patented box-making machines.

(*b*) These machines were conditionally sold to defendant, with the provision that they might be used until certain contingencies happened, but that if those contingencies happened, they should then at once be returned to the plaintiffs

(*c*) Except by the use of these specific machines no infringement can be caused, and the return of these machines will necessarily end the infringement.

(*d*) The agreement further contemplated the possibility that these specific machines might continue to be used after the time when by the terms of the agreement the right to use them had ceased, and it therefore expressly provided that in that event, as *damages* for *such continued use*, the same license fee should be paid. That is to say, the plaintiffs in their contract not merely covered the terms on which their inventions might be used and payment to be made for such use, but further undertook to provide a means of protecting themselves against continued use after the right to use had ceased.

They did not merely rely upon their rights under the Patent Laws, but they made specific provisions how they should be protected by contract against any infringement whatever. Had the "right to use" ceased, plaintiffs would have had the ordinary remedy of patentees, regardless of the existence of any other agreement; possibly they have that right now. Not content with this however, they made *special* provision for their protection against infringement, to wit: by providing that the machines themselves, without the use of which no infringement could occur, should be turned back to them, and that as damages they should be paid *royalty* amounts, regardless of the actual loss caused plaintiffs or the actual profit made by defendant.

The bill clearly shows that the remedy that they are now seeking to enforce is not the ordinary remedy open to every patentee against infringement, but the remedy that is open only to this particular plaintiff, because of the existence *of this particular agreement*. An ordinary patentee, quite apart from the existence of any contract is entitled to protection against infringement, but this protection extends merely to injunction and award of damages. The right to take away certain machinery itself from the possession of the defendant depends not upon the patent law,

but upon the terms on which the machines went into the defendant's possession. In this case it is apparent that the surrender of the machinery would necessarily end infringement. The quickest way to stop or prevent infringement was to require the return of the machines. It is by the use not primarily of the inventions, but of these three specific machines that the alleged infringement is being perpetrated (Rec. page 12) and the main relief asked by the bill is that this *provision of the contract be enforced, and thereby* incidentally, infringement stopped.

It is submitted that it is thus apparent that the plaintiffs have presented a case in which, not only is a *remedy based on contract* invoked, but in which in order to *grant the main relief asked*, these things will have to be decided,—

(*a*) Did the parties make the contract recited in the bill,

(*b*) Did the defendant receive and use the three machines referred to in the contract,

(*c*) Did the defendant fail to comply with the conditions of the contract in respect to statements and royalty, and did this default continue for the period named in the contract,

(*d*) Did the plaintiffs thereupon annul the license in the manner stipulated in the contract,

(*e*) Had the plaintiffs the power to do so,

Because, not unless all these things are found, can the Court find, as it must do to grant the relief asked,

(*f*) That the defendant is now an infringer,

(*g*) That defendant ought to give up the three machines, for each of which it has paid $3,500.00.

(*h*) That the defendant ought to pay *as damages* the arbitrary amount stipulated in the contract, and which is expressly said to be, not an agreed measure of damages for *any* infringement, but only a measure to be used in case defendant continues to use the inventions after the termination of the *right to use given by the license.*

So far from bringing a cause which involves the "construction of the Act of Congress in relation to patents" the plaintiffs bring one in which *no patent question* as such, is apparently involved at all, and moreover, they ask a *remedy* which so far from being one dependent on, or resulting from, the Act of Congress, will be appropriate only if they prove that they have a *contract* right to it. In the absence of any contract, an infringer might of course be enjoined and compelled to pay damages. But certainly he could not be compelled to give up to the plaintiffs three specific machines for which defendant had paid, and to pay as damages an arbitrary sum, regardless either of the actual loss suffered by plaintiff, or the actual profit realized by defendant.

Philp vs. Nock, 17 Wal. 460. And it is again to be noted that this arbitrary measure of damages is not agreed upon as the measure for *any* infringement,—for example, for infringement while the license was still in force, by selling in *other territory*,—but only for infringement by using the machines *after the license had terminated.*

It is true that the bill *also* asks in the usual form an injunction against infringement, and damages for infringement, but it says in direct terms (Record p. 12), that the infringement, consists in *the use of these three* machines, and that the measure of damages which it asks to be applied, is a measure which admittedly applies only in case the defendant continues to use these machines after the termination of the license in the manner stipulated in the contract. (Record p. 28).

The bill also shows that the condemnation ofth e three machines will *ipso facto* operate as an injunction against infringement.

In view of this showing, how does it avail the plaintiffs to assert that "they do not recognize the contract as in existence and do not wish to claim under the contract?"

What are they claiming under when they say that they are now entitled to the three machines which defendant paid for and has since been using; or that they are entitled to the

application of the measure of damage stated in the contract? What they in fact claim to have terminated, and hence no longer to exist, is the *right to use* the machines; but that is not the whole contract, but merely a part of it. The contract embraces two distinct sets of obligations, (*a*) those applicable while the *license to use* continues, and (*b*), those applicable when the right to use shall have ceased. The claim now made is distinctly based upon the second set of obligations. It is expressly sought to *enforce these obligations*, and in order to do so, it is necessary to pass upon the entire transaction to see if the conditions have arisen which bring this second set of obligations into operation.

Is this remedy one under the *Patent* Laws, and are these questions patent questions? Is the case so made a patent case? Or at least, which is it " really and substantially," a patent case or a contract case,—for it is the *primary and controlling* purpose which decides the true nature of the case. Suppose all reference to the license agreement were eliminated, would not the case made and the relief asked, be radically altered? On the other hand, suppose instead of patent rights, any other kind of property rights had been the subject of the contract, would not the question to be decided and the relief to be granted, remain substantially the same in every respect?

The case seems to meet exactly the language of this Court in thecase of Henry *vs.* Dick, 224 U. S. p. 15, in that it is a bill to enforce a contract, concerning an interest in a patent. The plaintiffs might, had they elected to do so, have resorted to a simple suit for infringement. But they undertook, when they made this contract, to protect themselves *by the contract* against infringement, and the protection they *now* ask is the *protection given by the contract* and not the protection the Patent Laws would give them regardless of any contract. They now expressly ask the *specific enforcement* of that portion of the contract which provides for the return of the machines and the payment of the agreed damages. Their right so to enforce these pro-

visions of the contract is based upon the contract, and by the contract is made to depend upon the prior termination of the defendant's right to use the machines, and the termination of defendant's right to use the machines was entirely dependent upon the terms of the contract and the interpretation of these terms. Thus under the plaintiffs' own allegations in the bill, not only are *questions of contract* law presented and almost exclusively involved, but the very *remedy* sought depends upon and arises exclusively out of an alleged contract between the parties.

Whether therefore the test be the *nature of the questions to be decided,* or the *nature of the remedy sought* the cause is clearly shown to be one arising out of contract and not one "arising under the patent laws of the United States."

The very authorities cited by Appellants in their brief show conclusively that on the facts of this case as disclosed by the record, the suit is, and must be treated as one not "arising under the Patent Laws." Referring to these authorities in the order in which appellants cite them,—

(*a*) Foster Fed. Practice (4 Ed.), Vol. I, Sec. 17, page 140.

"The suit arises under the laws of the United States * * * * except when the complaint or defendant's answer clearly shows that the suit is in reality brought to enforce a contract."

(*b*) The Fair *vs.* Kohler Die Co., 228 U. S. page 22.

"No doubt if it should appear that the plaintiff was not really relying upon the patent law for his alleged rights, or if the claim of right were frivolous, the case might be dismissed. In the former instance the suit would not really and substantially involve a controversy within the jurisdiction of the court."

In this connection it should be noted that in the case just cited the real question involved was whether the patentee had the right under the United States Patent Laws to create the restrictive clause involved in the contract in that case. Thus the case was not one for the interpretation of a contract under the general law, but involved solely a question

whether the United States Patent Laws gave one of the parties the right to enforce the restrictive clause which was written into the contract.

(*c*) Victor Talking Machine Co. *vs.* The Fair, 123 Fed. 424.

> "The test is this; if the plaintiff is seeking a judgment for debt or damages, or a decree for cancellation or specific performance on account of the defendant's breach of his covenants, the cause of action arises out of the contract."

As has been shown, the essential relief prayed, to wit: the injunction against the further use of these three machines, the return of these machines to the plaintiffs and an award of damages in accordance with the terms of the contract, is directly based upon the existence of the contract and the effort made is to *enforce specifically* the provisions calling for the return of the machines and the payment of this arbitrary sum.

Henry vs. Dick, 224 U. S. 1.

Thus:

> "A bill to enforce a contract concerning a title to a patent or an interest therein, or to declare forfeiture of an assignment of an interest in a patent * * * * or an action to recover damages for a breach of a contract relating to a patent or a license thereunder, would not, because of the character of remedy or relief sought, be a suit cognizable in a United States Court, although the facts stated might have justified a suit for infringement in a United States Court, if the complainant had elected that remedy."

In other words, had the complainants in this case chosen to rely solely upon their rights as patentees, and to ask injunction and damages solely such as the Patent Laws would entitle them to, doubtless they could have framed a bill along those lines, which would give the court jurisdiction as a patent court, but having elected instead to enforce specifically the terms of the license agreement relating to forfeiture and return of the machines, and to seek the re-

covery of the damages stipulated in the contract, they have brought a contract case and not a patent case.

This further quotation from Henry *vs.* Dick is not inappropriate,—

> "The test of jurisdiction is this: does the complainant set up some right, title or interest under the patent laws of the United States, or make it appear that some rights or privileges will be defeated by one construction or sustained by another of those laws."

In this instance the construction of the patent laws of the United States will not be involved in any sense whatsoever. It should also be noted that in Henry *vs.* Dick, the question involved was whether or not the acts of the defendant's constituted contributory infringement of the complainant's patents, that is, not what the contract in the case provided for, but whether the patent laws wrote into such contract as one of its implied conditions, a prohibition against contributory infringement. This of course was not a question of general contract law, but distinctly one of patent law.

(d) Wooster *vs.* Crane, 147 Fed. 515.

> "The contract is set forth for the purpose of showing the complainant's title and not as the basis or foundation of the suit."

But

> "A suit the primary and controlling purpose of which is to enforce a right secured by the copyright laws which is being infringed by the defendant, is a suit under those laws."

In the present instance the primary and controlling purpose is clearly shown to be to give effect to the provisions of the *license agreement.*

(*e*) Elgin Wind etc. Co. *vs.* Nichols, 65 Fed. 215.

In that case the bill was in the ordinary form for infringement of patent, and so far as the face of the bill was concerned, neither was the construction of the contract involved, nor was any remedy under a contract sought. The

Court held that the *prima facie jurisdiction* thus appearing could not be defeated merely by the defendant asserting a license.

(*f*) Platt *vs.* Fire Ext. Mfg. Co., 59 Fed. 897.
Hammacher *vs.* Wilson, 26 Fed. 239.
Foster Hose Sup. Co. *vs.* Taylor, 184 Fed. 71.

The case last cited refuses to follow the decisions in 59 Fed. and 26 Fed., insofar that they hold that a court of equity would have no power to relieve against a forfeiture; so far as the jurisdiction is concerned, the Court took *jurisdiction* because the reference to the bill in the license was purely by way of anticipation, but no relief whatever under the agreement was sought, reliance being based upon the Patent Laws alone as though the license never had existed.

(*g*) White *vs.* Rankin, 144 U. S. 628, distinctly holds that where the suit is to enforce a contract, it would not arise under the patent laws.
The same is true in Excelsior Wooden Pipe Co. vs. Pacific, 185 U. S. 282.

(*h*) Dale Tile Mfg. Co. *vs.* Hyatt, 125 U. S. 47.
Inasmuch as the action was to *recover royalties "under the contract,* and thus to enforce the contract," the *State* Court was held to have jurisdiction.

Compare the purpose of that suit with the purpose of the present suit,—to wit, to compel the return of the machines and the payment of the *contract* damages.

(*i*) March vs. Nichols, 140 U. S. 344.
Pratt *vs.* Paris Gas Light Co., 168 U. S. 255.
In both these cases, as the purpose of the bill was to give effect to the terms of the contract, the jurisdiction was held not to lie in the patent court.

(*j*) Walker on Patents, 4 Ed. Sect. 388, page 328.

The author says that "where a complainant files a bill in which he states a patent right and states its use by the defendant, and in the charging part recites the particulars

of an alleged license claimed by the defendant to be a justification of that use, and avers that there is no license in existence and prays for an injunction and accounting of infringer's profits, &c. * * *, then the action is not one arising under the patent laws of the United States."

Appellants admit that this is against them, but criticise the interpretation placed by the author upon the decisions on which he bases his text.

From all of the above the rule may clearly be deduced that where the plaintiff elects to rely solely upon his rights as patentee it is immaterial insofar as the *prima facie* jurisdiction is concerned whether he remains silent about the granting of a license, or asserts it merely to deny that it any longer has any bearing on the rights of the parties. But if on the other hand he recites the making of a license agreement, and shows on the face of his bill that either it is still in force in toto, or that portion of its terms are still in force, and that he wishes those portions given effect, then he makes out a case arising out of contract and not out of a patent.

POINT II.

The reference in the bill and answer to the license shows that the United States District Court has no jurisdiction.

Appellants complain (Page 18 of their brief) that the view urged by the defendant involves the result that if, in such a case, "the plaintiff tells but half the truth he remains in court, but if he tells the whole truth he is penalized for so doing and goes out of court."

In one sense this is correct, though the use of the words "truth" and "penalization" is hardly a happy one. "Truth" in litigated matters means facts that ought to be disclosed, and if their disclosure by the plaintiff, puts the plaintiff "out of Court," it is not usually considered a "penalization" of his honesty to have this result follow, merely because, had he been dishonest and suppressed a part of the truth he might have managed to "remain in Court."

But it is not a question of honesty or dishonesty in pleading that we are now considering. It is a question of the form the suit, as made by the pleadings, takes. The plaintiff can, if he chooses, state a case which on its face, is a patent case. This is what the Appellants term "telling half the truth." Of course on such a statement, he "remains in court" until and unless other facts appear showing that it is not a patent case. But if he realizes either that these other facts *must* necessarily develop, or that he *desires* them to develop *in order* that *he may get relief based upon them*, and hence makes them known at the outset as part of his statement; and if the Court. from plaintiff's own statement so framed, can see that the court is not the proper forum for *that kind of a case*, it need not wait longer before so deciding. This is what Appellants term "penalization for telling the whole truth." In the same sense, a litigant who brings in a law court a simple suit for damages for breach of contract "remains in court," but one who in his declaration shows that he is asking specific performance of the contract, is on demurrer. put out of court, because his remedy is in a court of equity.

It is not contended by defendant that if the bill "remains silent as to the license" and takes the form of "a bill for patent infringement pure and simple," asking no remedy except that resulting from the Patent Laws, the *prima facie* jurisdiction thus appearing can be defeated by anything alleged in the answer.

The Fair *vs.* Kohler etc. Co., 228 U. S. p. 22.

Nor perhaps if the bill also recites a former license agreement, merely in order to deny that it longer has any effect.

But if the bill recites an agreement and either shows that the plaintiff does rely upon and ask relief under it, or *must* rely upon and be bound by it, the situation is different.

Indeed our difference with the Appellants throughout seems to be not as to the law, but as to the facts. What the plaintiffs "wished to do" we do not know, but we certainly cannot admit that in their bill they do not "sue for royalties under the contract, because they do not recognize the

contract as in existence, and do not wish to claim under it," or that they do not "sue for specific performance of the contract," nor that the plaintiffs refer to the agreement only to show that it was pre-existing, but has now terminated and the relief prayed for is not under the agreement, but under the patent law alone."

That this is not the case can be determined from the bill itself, and it is not necessary for us to rely also upon the *answer;* though that makes it only more apparent that no question of patent law is involved.

So far as the law however is concerned, we willingly accept the following statement taken from page 20 of Appellants' brief of the principle that controls the decision of these cases:—

"In other words, is not the true principle this? That where the suit is one for infringement, it is a case arising out of the Patent Laws, and the United States courts have jurisdiction, although incidentally the case may involve the question of the construction of a contract. But where the suit is one upon a contract, whether to enforce it or to rescind it, whether for royalties under it or for damages for breach of it, it is a suit arising out of the contract, is a suit upon or under the contract, involves only the general law, and cognizable in the State courts.

Such a principle furnishes an exact line of demarcation, and makes simple the determination of the rights of the parties; and such a principle underlies and explains all the cases of this and the other courts."

POINT III.

The defendant having admittedly held a license, it could not be treated as an infringer until the license was revoked by court decree; and a suit for revocation involves no question of patent law.

Even if the Court should not agree with our contention that the bill shows that the plaintiffs are relying upon and

seeking relief under the license agreement itself, it is submitted that they are out of court, because of their own admission that the defendant once held a license, still claims to hold and be acting under it, and that if the license no longer exists, that is because without defendant's concurrence plaintiffs undertook to declare it forfeited.

The courts do not recognize the right of a licensor thus by his own act to decide the license to be forfeited, or to be himself the sole judge as to whether defendant shall thereafter be treated as an infringer or not.

His remedy if he deems the conditions of the license to have been broken, is to apply to a court to *revoke* the license.

Notwithstanding the attack made in Appellants' brief on the case of

Hartell *vs.* Tilghman, 99 U. S. 547.

it still remains the law applicable to this question. In that case this Court says:—(p. 556)

> "Where defendants have paid and plaintiffs received for many months the royalty which plaintiff established and are still ready and willing to continue payment, and where the contract being in parole the parties differ about one or two of its minor terms, we do not agree that either party can of his own volition declare the contract rescinded and proceed precisely as if nothing had been done under it. If it is rescinded it can be done only by a mutual agreement or by the decree of a court of justice. If either party disregards it it can be specifically enforced against him, or damages can be recovered for its violation, but, until so recinded or set aside, it is a subsisting agreement which, whatever it is or may be shown to be, must govern the rights of these parties in the use of complainants' process and must be the foundation of any relief given by a court of equity."

As recently as in the case of Excelsior Wooden Pipe Co. *vs.* Pacific Bridge Company, 185 U. S. 290—the court says:

> "Now it may be freely conceded that if the licensee had failed to observe any one of the three conditions of the license, the licensor would have been obliged to resort to the State courts either to recover the royalties

> or to procure a revocation of the license. Such suit would not involve any question under the Patent Law."

In Henry *vs.* Dick Co., 224 U. S., the court quotes the above language from 185 U. S. and then says (p. 16):

> "But the three conditions of the license there referred to were: First, to pay royalties; Second, that the licensee would not transfer or assign the license without the consent of the licensor; Third, that the failure to use the license in the manufacture of pipe should operate to revoke it. It is evident that the licensee would not have infringed the license by either failing to pay royalties or assigning the license or by neglecting to use his privilege. The licensor would clearly have been compelled to rely upon such conditions in any suit for violation of any of the conditions named."

Thus this court has distinctly held that an action asking a recovery based upon rights resulting from a breach by defendant of his obligation to pay royalty, is a matter of contract, and does not "arise under the Patent Laws."

The view the Courts hold is that a defendant claiming to use the patents under a license which plaintiff admittedly at one time granted to him, is not in the position of a mere infringer and cannot be treated as such. He claims at least under color of title, and it must first be shown that he *has* no title, beforethe Patent Laws of the United States relating to infringers come into consideration. The distinction between such a defendant and a mere infringer is as marked as is that between a "tenant holding over" and a mere intruder. Having admittedly lawfully come into the possession of the right or property, his refusal to give it up may entitle the plaintiff to bring action for its recovery, but it does not constitute the defendant a trespasser.

This principle has been uniformly recognized by the Federal courts. A typical instance of this is found in

> Standard Dental Mfg. Co. *vs.* National Tooth Co., 95 Fed. 291 (Circuit Court E. D. Pa.)

the decision in which, while that only of a Circuit Court, carries with it the weight that always attaches to a decision

rendered by so high an authority as Judge Gray. We quote from page 293:

"The jurisdiction of this Court is, in a sense, special, and must appear from the face of the bill. As it appears by the statement in the bill that both complainant and defendant are corporations of the State of Pennsylvania, and, therefore, for the purposes of the jurisdiction, citizens of that State, there can be no jurisdiction arising out of the contract of license set forth in the bill of complaint. The failure to pay the royalties, upon which the claim of forfeiture is founded, is a breach of contract, cognizable in a court of common law. That, and the cancellation of the contract of license, or other equitable remedy in that regard, are all matters justiceable in a State court, but in the absence of diverse citizenship are clearly outside the jurisdiction of a Federal court. *It will not do to say that a forfeiture has taken place, ipso facto, by the non-payment of the stipulated royalties, and that therefore all handling of the patented articles by defendant since then has been an infringement. The law does not arm one party to a contract with the power to determine in his own favor a condition of this kind, and thus produce for the other party to the contract all the disabilities and consequences that would follow a forfeiture legally ascertained and declared. Even where the contract provides that the failure to pay shall render it null and void, the defendant has a right to be heard as to the facts upon which such annulment is made to depend. Forfeitures are not favored in equity, and the best considered "decisions hold that even licenses containing express stipulations for their forfeiture are not, ipso facto, forfeited upon condition broken, but remain operative and pleadable until rescinded by a court of equity."* (citing cases) * * * * The obvious and logical course for this complainant in this case would be either to sue for damages for the non-payment of royalties, or by a bill in equity to seek the rescission of the contract of license and, that being obtained, to pursue the defendant in a federal court for an infringement." (Italics ours).

It would be hard to find two cases in which the *facts* appearing were more alike, as to their salient features, than in the case just cited and the case at bar. It will also be noted that there, as here, the complainant alleged infringement and asked injunction, accounting and damages, making out in fact, a stronger *prima facie* "patent case" than the case at bar, for in the present instance, as we have seen, complainant *distinctly asks* relief *based on the contract.*

Judge Gray's decision in the above case is cited with approval in American Grafofone Co. *vs.* Victor Talking Machine Co., 188 Fed. 431. (affirmed by Circuit Court of Appeals, 188 Fed. 428).

Judge Gray at about the same time rendered a similar decision (as to the necessity to rescind the license before suing for infringement) in the case of

Hanifen *vs.* Lupton, 95 Fed. 465.

It is also to be noted that in the case at bar the motion to dismiss was not based only on the bill, nor only on the bill and answer,—that is,—on the pleadings alone, but on the record (Record p. 56) the motion being made in the following language:

> "that the *record* in said cause shows that said cause does not involve matters arising under the Patent Laws of the United States, but is a cause involving only the interpretation of a contract and is determinable upon the principles of general law and that this Honorable Court is without jurisdiction to try or determine the issues involved in said cause."

The case had been fully tried and all the evidence was before the court, and the court was then called on to determine certain rights as between the parties which depended entirely upon the prior determination of the one fact, as to whether there had been a complete breach of the contract by defendant. It was not only a question of pleading —it was a substantive question involving a decision by the court upon all of the facts involved in the one simple question --had the defendant committed a breach of its contract? This was certainly not a question of Patent Law. In other words,

it was not a preliminary question of pleading, but a decision by the Court on the facts of the case. The first question, practically the only question that the court had to decide, was, had the defendant been guilty of a breach of its contract, which question could be decided only in accordance with the general principles of contract law and the rules of equity. All the other matters involved were merely questions that might have been solved by reference to a master, none of the issues in the record showing any phase of interpretation of the patent law. In a word, the motion to dismiss and the decree were based upon a completed record of all the facts.

POINT IV.

The decree dismissing the bill for want of jurisdiction should be affirmed.

The Opinion of the Judge of the United States District Court appears on page 61 of the record. Some of the reasons set forth in the opinion are severely criticised by Appellants in their brief. If the *result* was right, it is immaterial whether or not all, or even any, of the *reasons* given were sound.

It will be found however that the Court, after full consideration of the authorities, was fully satisfied that the case presented was not within its jurisdiction as a patent court, and this was because as stated in the opinion.

> "In this case it will be noted that the owner of the patents sets up the license to the defendant and its forfeiture by failure to account for and pay over the royalties agreed upon and he is seeking an accounting *in accordance with the terms of the license* and to have turned over to him the machines *in accordance with the terms of the license agreement.* And as there is no denial of the validity of the patent by the defendant the rights secured to the owner of the patent by the patent laws are not in contest. (Rec. p. 62).

The Court clearly realized that when the plaintiffs sought "an accounting *in accordance with the terms of the license*

agreement, they were invoking a remedy which depended for its application in no sense upon any "Act of Congress in relation to patents," but purely and simply upon the alleged license agreement in accordance with whose terms the relief was sought.

Appellants throughout their brief insist that the construction of the law adopted by the lower court "leaves them without a forum," inasmuch as the State court could not enjoin against infringement. Precisely the same complaint might have been made in any of the numerous cases cited by Appellants, in which the jurisdiction of the Federal Courts was denied. It is not perceived what difficulty the plaintiffs would have in securing from a State court (if the proof warranted it) a decree declaring that the conditions had arisen under which, *by the terms of the license agreement*, the defendant was bound to return the machines, with damages for their improper retention, and as the bill itself shows, this *ipso facto* would stop infringement. Indeed, as Appellee has tried to show under "Point III," they *must* first go to a State court, in order to have the license revoked. Or if plaintiffs do not choose to rely upon or ask enforcement of their *contract* rights, they can file in the Federal court a suit "for infringement pure and simple" asking only the remedy which the *Patent Laws* provide. There is no difficulty about the plaintiffs having a forum for the appropriate kind of case. The difficulty is that this case was brought in the wrong forum.

In conclusion, Appellee feels warranted in adverting to the following statement in Appellant's brief:

"For two years, or more, according to the allegations of the bill, the defendant now continues to use complainant's patents without having paid the royalties it agreed to pay; and this, notwithstanding the termination of its license, in accordance with its agreement:

This is hardly candid, and as Appellants have undertaken to go outside the record in alleging what defendant "has for two years continued and now continues to do," Appellee

is at least entitled to say that as Appellants must know, Appellants have *had no interest in these patents since October 4th*, 1913. On that day they surrendered their interest to their own licensor, with whom Appellee has since come to a complete agreement, and plaintiffs after surrendering their rights went into bankruptcy, this appeal now being prosecuted by their trustee in bankruptcy. Hence even so far as the merits are concerned, this controversy only involves an effort by the trustee to collect royalties for several years prior to October, 1913.

Respectfully submitted,

JAMES E. ZUNTS,

RANDOLPH BARTON, JR.

Solicitors for Appellee.

HEALY *v.* SEA GULL SPECIALTY CO.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE EASTERN DISTRICT OF LOUISIANA.

No. 253. Argued May 3, 1915.—Decided May 17, 1915.

Where it appears from the plaintiff's statement that his case is for infringement and arose under the patent laws, the District Court has jurisdiction, notwithstanding the fact that he may also rely upon a contract as furnishing the mode in which the damages grounded on infringement should be ascertained.

THE facts, which involve the jurisdiction of the District Court in a case involving infringement of patent, are stated in the opinion.

Mr. Charles Rosen and *Mr. Henry B. Gayley* for appellant.

Mr. Randolph Barton, Jr., with whom *Mr. James E. Zunts* was on the brief, for appellee.

MR. JUSTICE HOLMES delivered the opinion of the court.

This is a bill in equity brought by the appellants, alleging that Healy is the owner of patents for improvements in boxes and machines for making boxes, and that the Healy Box Corporation is the grantee of the exclusive right to make and use the machines and to make, use and sell the boxes containing the patented improvements. The bill next alleges that the defendant is infringing the patents and will continue to do so unless restrained. Then, anticipating a defence, it sets forth a license to the defendant, a breach of its conditions and a termination of

the same. It adds that the license contained a stipulation that in case of any suit for infringement the measure of recovery should be the same as the royalty agreed upon for the use of the inventions, and another for the return of the machines let to the defendant while the license was in force. The bill prays for an injunction against making, using or selling the boxes or machines, for an account of profits received by reason of the infringement, for triple the damages measured as above stated, and for the surrender of the machines. The jurisdiction depended upon this being a case arising under the patent laws, and the District Court thinking that it was merely a matter of contract dismissed the bill. In our opinion its decision was wrong.

It may be that the reasoning of *The Fair* v. *Kohler Die & Specialty Co.*, 228 U. S. 22, is more consistent with that of Mr. Justice Bradley's dissent in *Hartell* v. *Tilghman*, 99 U. S. 547, 556 (a decision since explained and limited, *White* v. *Rankin*, 144 U. S. 628), than with that of the majority, but it is the deliberate judgment of the court and governs this case. As stated there, the plaintiff is absolute master of what jurisdiction he will appeal to; and if he goes to the District Court for infringement of a patent, unless the claim is frivolous or a pretence, the District Court will have jurisdiction on that ground, even though the course of the subsequent pleadings reveals other more serious disputes. *Excelsior Wooden Pipe Co.* v. *Pacific Bridge Co.*, 185 U. S. 282. Jurisdiction generally depends upon the case made and relief demanded by the plaintiff, and as it cannot be helped, so it cannot be defeated by the replication to an actual or anticipated defence contained in what used to be the charging part of the bill. For the same reason it does not matter whether the validity of the patent is admitted or denied.

As appears from the statement of it, the plaintiffs' case arose under the patent law. It was not affected by

the fact that the plaintiffs relied upon a contract as fixing the mode of estimating damages or that they sought a return of patented machines to which if there was no license they were entitled. These were incidents. The essential features were the allegation of an infringement and prayers for an injunction, an account of profits and triple damages —the characteristic forms of relief granted by the patent law. The damages were grounded on the infringement, and the contract was relied upon only as furnishing the mode in which they should be ascertained.

Decree reversed.